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# West Europe Report

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14 OCTOBER 1986

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POLITICAL

DENMARK

## ECONOMICS, DEFENSE BIGGEST AGENDA ITEMS AS FOLKETING RETURNS

### Government Already Eyeing Elections

Copenhagen BERLINGSKE AFTEN in Danish 22-28 Aug 86 p 2

[Commentary by Solveig Rodsgaard: "Election Campaign Beginning Soon-- Government Wants to Go On Offensive"; first paragraph is BERLINGSKE AFTEN introduction]

[Text] The government will meet next week to plan its strategy for the assembly of the Folketing. The government wants to demonstrate vigor and unity so that its profile is clear when the Folketing election arrives.

Just 14 days before its fourth birthday the government is meeting next week in a two-day "profile session" during which the government's policy for the last part of this election period will be established. The intention in the coming month is to work out a distinctive opening speech for the opening of the Folketing and thereby demonstrate such a vigorous government that they will really be opening the election campaign this fall, even though the election will presumably not take place until the fall of 1987.

When Prime Minister Poul Schluter gives the opening speech in the Folketing on 7 October, the summer debates on the large balance of payments deficit, the shifts of ministers, fabrication of questions by ministers and internal divisions between the government parties will preferably be forgotten. The opening speech will reveal a strong four-party government, and in the days immediately following the opening of the Folketing a number of ministers will introduce some extensive bills.

The government's profile session will be held 28 and 29 August at Sauntehus in Nordjylland, and here the ministers will report on political considerations and legislative initiatives. It is expected that the agenda will include reports on, among other things, OD [economic democracy], considerations of pension reform, the heralded dynamic industrial policy, the coming negotiations on a new defense compromise and the general economic situation. As for the last, the government must now acknowledge that it will not succeed in equalizing the balance of payments in 1988, and this year the government expects a deficit in the balance of payments of 28 billion kroner. The central question, namely the wage agreement negotiations, will naturally also

be discussed, even though the government has clearly stated that the parties to the labor market must settle that themselves.

The offensive by the government was made necessary by a dull spring during which several members of government parties admitted that initiative was lacking. That was mostly attributed to the political depression following the implementation of the Easter package and concern in the government parties following the government reorganization in March, and also now the government parties must acknowledge that musketeer voting from September 1982 is in the process of toning down a little. From a beginning in which the four nonsocialist parties accomplished the unexpected and managed to get through all the difficulties, where the Social Democrats expected defeat for the government, they are now approaching the opposite situation. Now expectations are so great that the government is having difficulty living up to them.

There are already splits among the government parties at the Sauntehus meeting. Following the summer meeting of the Conservative group yesterday the powerful group chairman Knud Ostergaard regretted that the individual government parties had recently shown independence in debate. The criticism must be seen against the background of CD [Center Democrats] and KRF [Christian People's Party] showing increasing aversion to conforming to the agreement that energy prices must not lead to increased consumption in connection with the falling dollar rate and the falling energy prices. The agreement was made in March between the government and the Radical Liberal Party at the time of the compromise on the Easter Package.

The Liberal Party has also pushed itself ahead during the summer debate, especially with ideas in the economic area. It has not been many days since the party's vice chairman, Anders Fogh Rasmussen, proposed that the government, together with the Radical Liberal Party, should this fall propose a joint plan to advance private savings. He believes that pension reform would be an important element so that private saving for pension purposes would increase, and at the same time he says that the situation for the balance of trade is so serious that "we cannot afford small measures in economic policy."

The prime minister is officially unconcerned about the positions of CD and KRF toward the energy agreement. He believes that all parties will conform to it.

At the same time as efforts to remove the momentary disagreement among the government parties, some other issues have come up on the agenda. Arne Melchior's departure as minister for public works, communication and transportation based on the National Auditing Board's report on the accounting conditions in the ministry has affected the government more than was immediately believed. And Minister of Agriculture Britta Schall Holberg's mass production of answers to still unasked questions has also caused irritation in the government parties. At the same time a public debate is foreseen, brought about mostly by the Social Democrats when the Finance Committee during the fall deals with a review of the travel activities of all the ministries.

## Ministries

Members of the government have not seen so much of each other during the summer, and the last ministers' meeting before summer vacation was not held in the best atmosphere, according to several people. The meeting was held on 17 June, and it was at that meeting that the prime minister sharply criticized the absent Foreign Minister Uffe Ellemann-Jensen because the foreign minister, the day before on a trip to South America, had threatened a security policy Folketing election in the fall after some statement by Social Democrat chairman Anker Jorgensen. It is the prime minister and only the prime minister who can publicly announce what the government can live with or not.

During the summer the prime minister held two breakfast meetings for the ministers who had returned from vacation and had the time to participate. The political situation was discussed and some good advice was developed.

On 14 August the government held the first minister meeting following the summer vacation, but it was rather short and concerned the finance bill exclusively, which Finance Minister Palle Simonsen introduced the next day. Last Tuesday was the ordinary minister meeting, but next week at Sauntehus there will be possibilities for expanded political debate and more informal fellowship.

### Paper Views Fourth Anniversary

Copenhagen BERLINGSKE TIDENDE in Danish 30 Aug 86 p 10

[Editorial: "The Fifth Year"]

[Text] The government is entering its fifth year. Who would have thought that it had such unusual vitality under our parliamentary conditions? It came in in 1982 against the background of a summer which brought social development closer and closer to the precipice. It came in because the Social Democrats simply gave up. It was created from parties which were forced into unity because there was no other possible solution. Would it be other than a new episode in a chain of crises and defeats for representative government? It was met with hopes, but without great expectations. But in several days it will have governed for four years, and it is not about to fall.

There is wormwood in the cup from which the ministers are drinking their birthday toasts. This has not been a fortunate summer. During the first years the government could win popularity, even though its economic policies demanded deep intervention in a number of areas. The people understood that it was necessary to turn many things upside down. And they could confirm that amazing results were achieved. Optimism reigned, and the prime minister was on the crest of a happy wave. Gradually expectations were created which should be fulfilled when the worst was behind. Is it a national freedom from care that we have put our trust in, that exports will overcome the last great problems, and we now let consumption grow? Now the prime minister is talking about intervention, and the reaction will not fail to come. People are beginning to be afraid that this government will end like all the rest. That



it will be forced to its knees by conditions that it cannot cope with, and once more the people will pay the price.

It is hardly necessary to go so crazy. Any government which has been in power for very long will come to a period when it must recognize the risk of defeat. It needs to confirm its ability to lead social development. Therefore the program which the government presents at the opening of the new Folketing session is awaited with excitement. For this program will show whether the government still has the will and the strength to formulate and carry out the necessary policies. This is what the ministers have talked about behind closed doors for two days. Is it capable of formulating a policy which can conquer a beginning crisis of confidence before the public? One may think that, and the basis for such a hope is simple necessity. If one does not look after the immediate requirements, the whole thing can be lost.

The government parties and their friends the Radical Liberal Party are undoubtedly facing a challenge greater than that they faced four years ago. They will make important decisions, realizing that this is the last whole working year before the expiration of the election period. It is not made easier by the voters waiting around the corner.

#### Government's Economic Record Assessed

Copenhagen BERLINGSKE TIDENDE in Danish 17 Aug 86 Sect III p 9

[Commentary by Frank Dahlgaard: "Poul Schluter's Success and Failure"]

[Text] The government has had a tremendous success with its policy of creating jobs, but an equally tremendous failure with its balance of payments policy.

Since the change of government four years ago 182,100 new jobs have been established in Denmark. During the same period the deficit in the balance of payments has grown by fully 14 billion kroner. For each million kroner that the payments deficit has grown under the Schluter government, 13 new jobs have been created.

On the other hand, every new job has "cost" 77,500 kroner of the balance of payments.

An analysis of the development in employment and the balance of payments shows a surprisingly close connection between the two: Growing employment is accompanied by growing currency deficit, and falling employment leads to a falling deficit abroad.

The dilemma is classic, but extremely current.

The graph shows developments in employment and payment balance deficit quarter for quarter since the beginning of 1979.

The upper curve of employment is based on employers' ATP [General Supplementary Pension System] payments. The figures are seasonally corrected



by Danmarks Statistik and give the employment of wage earners on a full-time basis. For example, two half-time employees equal one full-time employee.

The lower curve gives the deficit in the balance of payments at any time for every quarter. The balance of payments curve shows the real development, eliminating seasonal swings.

#### A Mirror Image

The graph shows that the two curves are practically mirror images of each other--so that a development in the balance of payments often follows one quarter after a development in employment:

Employment reaches a temporary top in the first quarter of 1980, while the deficit in the balance of payments reaches a top the following quarter. Correspondingly employment reaches a new low in the first quarter of 1981 while the deficit in the balance of payments reaches its minimum the following quarter. Employment stops growing in the third and fourth quarters of 1982, and shortly thereafter a reduction in the balance of payments deficit begins.

There is naturally an explanation for the close agreement between the development of the two curves.

The size of wage earner employment is an expression of the economic activity in Denmark. More people going to work means the people have greater incomes and more purchasing power, and that invariably leads to increased consumption. At the same time the creation of more jobs means that business is investing more in production equipment. Both growing consumption and growing investment cause greater imports. Therefore growing balance of payments deficits follow increasing employment.

On the other hand falling employment leads to a decline in consumption and investments, which brings down imports and improves the balance of payments.

#### 'Take Off' in 1983/84

When the four-party government came in during the third quarter of 1982, 1,782,400 wage earners worked on a full-time basis. At the same time the balance of payments for the last four quarters (fourth quarter of 81-third quarter of 82) showed a deficit of 18.6 billion kroner.

Today (second quarter of 86) 1,964,500 wage earners are working--a growth since the change of government of 182,100. In exchange the balance of payments deficit during the last four quarters has risen to 32.7 billion. See the chart.

Anker Jorgensens's and Svend Auken's bragging would have known no bounds if they had been able to create half as many jobs as the 182,100 created by the four-party government. The fact is that since Poul Schluter became prime minister, an average of 195 new jobs have been created every single working day!

As shown by the chart, growth in employment began in earnest in the first quarter 1984--after the government and the Radical Liberal Party were strengthened by the Folketing election of 1984.

Growth in the number of jobs came so rapidly and unusually in 1984 that Danmarks Statistik withheld the ATP figures for several months because it was believed that there must be an error. The figures were simply so good that the economists thought they were lies!

The chart shows that the great "take-off" for the Danish economy took place at about the start of 1984. Since then there has been a rapid advance in employment, and beginning at the same time the balance of payments has been in a steady and strong decline.

The first year and a half of the four-party government was encouraged by a strongly declining deficit in the balance of payments (but stagnating employment).

The deficit in the four quarters up to and including the fourth quarter of 1983 was only 12.8 billion kroner--compared with 19.2 billion when the deficit peaked the year before. But suddenly the rapid development in the balance of payments stopped, and during the past 10 quarters the deficit grew contrary to all declarations of intention from the government. The other side of the coin, as shown by the chart, has been a rapid growth in the number of jobs.

The chart shows accelerated growth in both employment and deficit in the balance of payments from the second quarter of 1985. The similarity between the two curves--the "success" curve and the "failure" curve--is striking.

The opposition is criticizing the government and the Radical Liberal support party sharply for the growing deficit in the balance of payments. They glibly overlook the fact that the growing deficit has its background in an amazing success in employment.

The fact is, of course, that the four-party government has in practice given priority to employment over the balance of payments. Anker Jorgensen and Svend Auken should rejoice, and labor union leaders should applaud this policy.

But they do not. They whine and sulk and express their "deep concern" about developments in the balance of payments.

That is the reformed world.

Of course there is reason for concern over developments in the balance of payments, but that is not a basis for the panic which the opposition is persistently trying to stimulate.

All indicators of economic development are now pointing in the direction of a decline in consumption, a decline in building activity and a stop in the growth of investment. That does not merely mean that the employment boom is

finished, but that the government's "success curve" will no longer grow with the rapid tempo of the past couple of years.

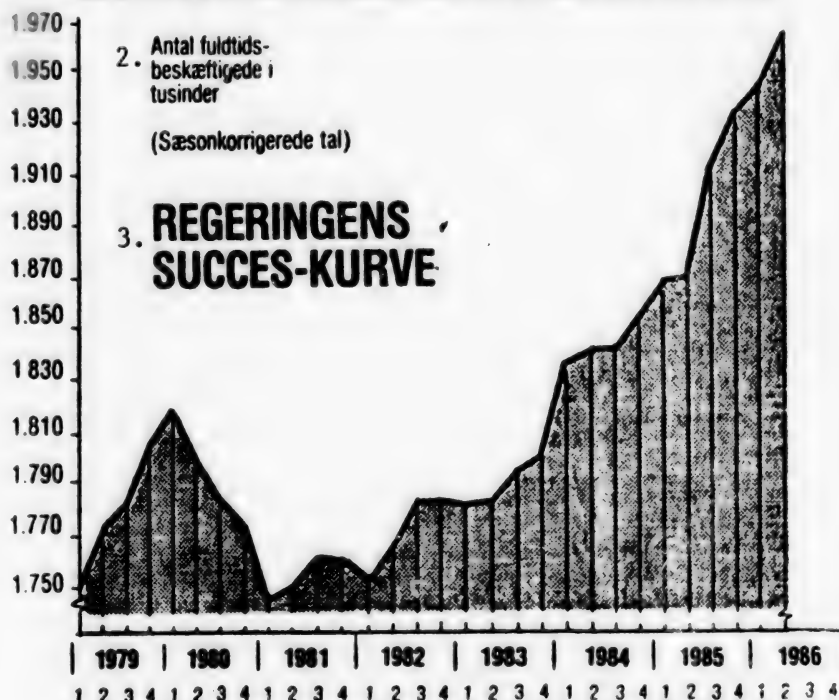
It also means that the deficit in the balance of payments will fall markedly in the coming quarters, so that the government's "failure curve" will begin to point in the right direction.

We certainly stand at a turning point for both curves. Therefore the government should be careful to seize any opportunity to limit consumption during the autumn.

It is not, however, a law of nature that employment can only grow at the expense of a reduced balance of payments. If competitive ability is improved there will be a basis for greater export and more jobs in export businesses.

The trick is to keep the employment curve as a "success curve" and at the same time to change the government's "failure curve" into a success. That can be done, but it requires backbone on the part of the employers, and reason and solidarity on the part of the unions.

1. Lønmodtagernes beskæftigelse kvartal for kvartal 1979-1986



6. Betalingsbalance-underskuddet kvartal for kvartal 1979-1986

Key:

1. Wage earner employment quarter for quarter 1979-1986
2. Number of full-time employed in thousands (Seasonally corrected figures)
3. Government's success curve
4. Government's failure curve
5. Four quarters sliding average of bal. of pmts. deficit. Billions of kroner
6. Balance of payments deficit quarter by quarter 1979-1986

### Schluter's Economic Optimism Viewed

Copenhagen BERLINGSKE TIDENDE in Danish 28 Aug 86 p 8

[Commentary by Helle Bygum: "Some Are Carefree, Others Are Sly"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The prime minister himself tried to give the Danish people optimism and a vision of the future. It was like pulling the cork from a bottle, and therefore we are consuming without regard to any future accounting. This is how the carefree Danes decide psychological and economic issues.

"Restored enterprise, optimism and confidence in the future, that will be a powerful--and indeed indispensable--lever which can guarantee that we will again have equilibrium in Denmark and the Danish economy."

That is an excerpt from Prime Minister Poul Schluter's opening speech in the Folketing on 10 September 1982.

Followed by the tangible, "It will be easier to be Danes."

And the Danes repaid by reacting "as when a cork is removed from a bottle," as the Radical Liberal Niels Helveg Petersen described what happened between us and the consumption pattern. And who now feel as though they have hangovers from the trade balance--as economist Anders Andersen said, "Freedom from care has won over the Danes."

Nils Helveg Petersen does not now have such a gloomy view of the trade figures or our stated freedom from care. "The most skillful business people have always been the importers, they are much more skillful than exporters," he says. And he believes that "freedom from care," a challenge to optimism was "what we needed to hear after years of national depression with oil crises, mass unemployment and shifting governments. Our nature as a people is sanguine... If it works, it works. And if it does not work, we will find something else. That also applies to our attitude toward the economy and borrowing."

Danish freedom from care is not of a recent date. Formerly the economists said that we were travelling first class toward the precipice. And even if there were years of belt tightening, the social scientists and economists see it as natural that we now want to hang onto the upswing. If only by installments.

As Director Torben Nielsen, economist, remarked, "Did not our prime minister himself say as recently as last year, 'Things are going inconceivably well!'"

A sentence that many believe that he would prefer today not to have said--if one could only take back spoken words.

Torben Nielsen said, "It is understandable that after years with high interest people are now taking advantage of low interest, to get a loan on the house



and get that long-desired new kitchen, the new car, replace the tattered carpet and go abroad on a trip which one could not afford before. And why not borrow, when the neighbor does it, the banks invite you to do it, when an aggressive borrowing policy is in effect?"

It is said that our freedom from care springs from our lessons from childhood--the tax system has favored the borrower, punished the saver.

Oluf Lauth, a good observer of the Danes, does not really believe that we are carefree, but rather that it is the politicians who are. "We are not carefree, but the alarming figures in the trade balance do not tell us anything. They are too large for an individual family to grasp as anything that they are participants in or guilty of. And look at the politicians: the moment a nominal surplus of 300 million kroner appeared in the finance law they were stepping all over each other to recommend what the money should be used for. How can a family understand that they should save and consume less? And when we do not save, it is because we feel that money which is consumed cannot be taken from us--what if there is a new change of government, and a new intervention. Nobody seriously believes that inflation is gone forever, and Danish welfare is such that he/she has it good. We do not imagine that some have less.

#### Freedom From Care Vs. Slyness

"Yes, yes, the trade figures look alarming," say the economists, "but they are merged with the export decline, and that makes them look so monstrous. Our exports rose, so who cares?"

Economist Frank Dahlgaard looks at it this way: "Optimism in society is not merely something started by Schluter. His smile is of no importance, it is a matter of real economics. And when 185,000 more have jobs, and still more are not afraid of losing their jobs, so consumption expands. That is not carefreeness, it is entirely correct that they use their money. Nobody is sitting there and saying, 'Now I must pay attention to the balance of payments.' It must be the politicians' job, when Mr. Hansen and Mrs. Jensen do their private economics in an egotistical way, to form a policy which makes it sound for the entire economy in the final accounting."

Frank Dahlgaard does not see the carefree Dane as a reckless consumer who lives on credit. "The general population has received advances in pay, and uses them. But if one borrows at low interest in the belief that inflation is coming again, he is not carefree, he is sly and crafty. He is speculating on whether Schluter can hang on."

#### Responsibility of the National Bank Director

"Actually the figures on private consumption are on the way down, import of consumer goods is on the way down," said Torben Nielsen, "but we are not clever enough to export, we have a foreign trade pattern similar to Portugal and Greece. We are good at selling cookies to the United States, but world trade is a multinational activity, and Denmark consists of small industries.



"I do not believe that it can be said that Danes are carefree. Consumption is almost certainly credit-financed, but the government has made a big mistake: it listened to the director of the National Bank a year and a half ago when he said that we should liberalize the credit policy. That started a boom in consumer borrowing, so consumption rose more than real wages. The director of the National Bank has a very large responsibility for the balance of payments situation. When we do not voluntarily save, it is because most believe that inflation is coming back--and so it is. It is self-fulfilling. And to have 'something on the books' is not so important for a Dane... we have a social security system, and why save for old age, it only means that we will get less or no old age pension."

Frank Dahlgaard: "Denmark is actually a chronic deficit country. We have only had a balance or a surplus in wartime or during crises such as the 30's or the 50's--that's the way it is. And what countries have surpluses? There is Germany, Switzerland and Japan, while England, Italy and Denmark have deficits. Do we want to be like the Germans or the Japanese? I will say that if we can only have economic order on German conditions, then I do not want order in the economy."

Publicity expert Peter Hiort, who has helped many politicians with their profile, said, "During the entire Glistrup debate we had the impression that it pays to incur debts and advance oneself through borrowing. It was felt in the farthest reaches... If I were the government I would have a campaign which would inform people what it means to borrow. I would not warn them against borrowing, but inform them of the consequences of it."

#### Prime Minister Comments

Copenhagen BERLINGSKE TIDENDE in Danish 29 Aug 86 p 5

[Article by Ole Dall: "Poul Schluter: Optimism Is My Tool"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The prime minister does not believe that his "things are going unbelievably well" attitude has increased consumption, but Poul Schluter says that his optimism has contributed to a climate of starting. Now optimism will be used to stimulate saving.

"Things are going unbelievably well."

That famous statement fell on the ears of Conservative Party representatives on 12 April at Christiansborg. Poul Schluter's optimism reached new heights here, and as reported in BERLINGSKE TIDENDE yesterday, economist Torben Nielsen, among others, believes that Danes have taken the prime minister at his word, and have borrowed, purchased and travelled accordingly.

The prime minister has not forgotten his statement of last April:

"The problem is that occasionally one has the good fortune to form a sentence which is so idiomatic that it becomes a headline--and so it is often taken out of context. That happened in this case--not, however, for those who read

the entire article in BERLINGSKE TIDENDE, where I stated the reasons for the statement," said Poul Schluter, and continued, "I maintained that since the middle of the 70's Danish society had been in a crisis, but nevertheless private and public consumption had risen by 20 and 40 percent respectively, measured in fixed prices. Therefore one could say that things are going unbelievably well. The crisis has not smashed our welfare and social security."

Are statements of that character contributing to increased consumption?

"No, in this connection I do not believe that the people's purchasing habits are guided by statements from politicians. But optimism--which I have used to a large extent as a tool--may possibly have contributed to creating a climate for starting and a 'now we will have an upswing' attitude. Think if that had not happened. We would have been in a gloomy situation marked by the same pessimism that there was in 1982. The problems of balance that we have today are being met under entirely different circumstances than then."

The prime minister emphasized that actual changes have created greater possibilities for consumption.

"In 1982 we had hundreds of businesses closing, and everybody was afraid for their jobs. Today there are about 185,000 extra at work, and we are experiencing that real wages are not falling. That is good enough, but we have still not gotten accustomed to the idea that it is not so smart to rush down and buy everything before the price goes up.

"Now we have very low inflation, and we will probably have it for a long time to come. But we Danes have the purchasing mentality, and now that the government has shown that we will adjust economic policies in October, there are some who think: We must hoard.

"But I recommend against that, because the prices of general goods are not going to rise."

Will the optimism now be aimed at saying that it can pay to save?

"Yes, that is very important. It will affect us all if almost the entire population is not more unified behind our economic fellowship. And our economic fellowship will have difficulties if all the groups of the population spend every copper they earn.

"In that case we would have to implement savings of billions or collect billions in taxes, and that is what the government wants to avoid."

Can the population be told to save?

"Attractive challenges are not enough. Reality must play a part. So far borrowing has been too favorable and too easy, and saving has paid too little. Tax reform is changing that, but more needs to be done."

What more will be done is being discussed by the government before the opening of the Folketing in October.

POLITICAL

DENMARK/GREENLAND

# MOST GREENLANDERS VIEW INDEPENDENCE MOVE AS UNREALISTIC

Helsinki HELSINGIN SANOMAT in Finnish 22, 23, 25 Aug 86

[Article by Antti Vahtera: "Greenland's Nature Rejects New Era, Traditional Fishing Grounds Endangered, Government Places Hopes on Minerals"]

[22 Aug 86 p 27]

[Text] Nuuk--Greenland's environment places seemingly insurmountable obstacles in the path of those who want to make a modern society out of this world's largest island, an autonomous province under Denmark.

Greenland's rocky soil is almost entirely covered by snow and ice. Its eastern coast is permanently covered with glaciers, which in the west extend to the vicinity of Nuuk. Ninety percent of the population is concentrated in the southern portions of the west coast.

Because of vast distances, travel can be accomplished only by ships -- there where it is possible -- as well as by aircraft and helicopters. Roads can be found only in the cities and their immediate vicinity, there are no railroads at all. Thus the problem of transportation is a serious obstacle to the development of the country.

Only a few natural economic means of livelihood are possible under Greenland's conditions. Agriculture is not a viable occupation at all, and animal husbandry can be practiced only on a limited basis. In recent years experiments with sheep-breeding have been conducted in Southern Greenland. Because of the cold, even this requires the construction of special shelters for sheep.

Fishing, especially the catching of seals and whales, continues to be an important part of Greenland's economy and culture. Even now 25 percent of Greenlanders make a living from the catching of seals.

As a new means of livelihood shrimp fishing, which has turned out to be quite profitable, is being developed. The shrimp processing plant in Nuuk handles 4,000--5,000 tons of shrimp annually, of which 95 percent is exported to Europe. The shrimp industry is being developed in cooperation with Canada.

## Fishing Fleet Protected From EC

When Greenland withdrew from membership in the European Economic Community, EC, in a referendum, the protection of the fishing industry from foreign competition was the primary motive. Currently, the 200-nautical mile economic limit protects Greenland's fishing industry while payments from EC-countries fishing off the coast also help Greenland to renew its own fishing fleet.

The 5-year fishing fleet development plan, which will cost 300--400 million markkaa, is aimed at improving the shrimp catch. Competition from Norway and the USSR has reduced Greenland's share of the total shrimp catch.

On the other hand, improving the methods of fishing itself is a problem since it has reduced the harvest in many traditional fishing areas. It is, probably, at least a partial explanation for the reason that the schools of cod have disappeared from Greenland's waters. Indeed, this factor has increased the shrimp catch since shrimp are the primary source of food for cod.

Traditionally, fishing as well as other forms of hunting practiced by the Eskimos have been aimed at satisfying the basic needs of life. No part of the catch is wasted. The same principle is still observed there where it is at all possible. Greenland's officials emphatically point out that the Eskimos use seal and whale meat as a source of food.

## Traditional Fishing and Hunting in Serious Difficulty

Currently, these traditional natural means of livelihood have encountered serious difficulties. The decrease in Greenland's whale population has prompted the International Whaling Commission to place strict limits on whaling. The quota is 220 whales over the next 2 years, which is too few according to Greenland's officials.

The problem in the area of seal hunting is the campaign conducted by the international environmental organization Greenpeace, which resulted in a ban on the hunting of baby seals on the east coast of Newfoundland in Canada. Even though the campaign was not directed at the hunting of seals by Eskimos -- presently, Greenpeace approves of hunting by indigenous inhabitants -- it is reflected as a depressing factor in the sales of seal skins.

Prices collapsed, and as a consequence Greenland's autonomous government presently has to support seal hunting while seal skins accumulate in warehouses. Therefore, Greenpeace is not liked in Greenland even though Greenlanders who understand the issue admit that the organization has become the scapegoat without being completely at fault itself.

Partly because of the difficulties encountered by natural means of livelihood, Greenland's economy is being squeezed. Prime Minister Johnathan Motzfeld told Nordic journalists that the need for savings is 0.4 billion kroner out of a budget of 1.6 billion kroner.

Economic problems may be complicated in the future by the fact that people in Denmark have begun to grow tired of subsidizing Greenland. There have been demands in the country to reduce the annual subsidy of approximately 1.6 billion markkaa.

#### Attempting To Develop Mining Industry

The reaction of Greenland's officials to these difficulties has been to expand economic activities especially in the direction of the mining industry. In principle, there are good opportunities for this in the sense that Greenland's glaciers are believed to conceal vast oil and mineral deposits under them.

Prospecting and trial drilling have already been accomplished in various parts of Greenland. Canada's Greenex Company has conducted studies from the air in an attempt to expand its mining operations to Greenland. Trial drillings accomplished on the east coast by the Atlantic Richfield Company point to oil deposits which could be commercially exploitable.

Prime Minister Motzfeld also told the Nordic journalists about an "interesting area" in Southern Greenland where there may be large mineral deposits. He also pointed out that a large portion of Greenland is a geologically unexplored area, from which unexpected wealth may be found.

Motzfeld also emphasized that Greenland itself has the right to determine the use of its own natural resources. The Ministry of Natural Resources has the right of veto in the exploitation of natural resources. The autonomous government has recently established a state oil company, whose task is to negotiate the exploitation of oil deposits with international companies.

Caution is not needed only for the prevention of economic colonialism. In the Arctic environment even the smallest traces of human activity remain on the landscape for decades. An oil spill would mean an outright catastrophe in such conditions.

Greenland's politicians are very aware of these problems. This is confirmed by parliament's decision to ban the exploitation of oil deposits in sea areas off the coast.

Tourism is also being developed. Approximately 15,000 tourists, primarily Danes, visit Greenland annually. Greenland's mountains, fjords, and glaciers offer the tourist breathtaking views, but the barrenness of the environment and long distances place effective obstacles to the development of mass tourism. Perhaps this is fortunate since mass tourism can also be a heavy burden on the environment.

In order to reduce its dependency on imported oil, Greenland's officials are planning to build five hydro-power plants, which will use lake water and melted snow.



[23 Aug 86 p 28]

[Text] Housing Shortage Impoverishes Life in Nuuk

The pressures of a modern society are, generally, the worst among the indigenous population. The leap from one culture to another has been exceptionally drastic. Greenland's Eskimos are a rare graphic example of this.

Eskimos -- or Inuits, as they prefer call themselves -- come from an old purely hunting and fishing culture, which was able to adapt to an extremely hostile environment amazingly well. In spite of the fact that fishing is still the country's most important industry, there are only traces of the old culture left.

Motorboats and Dog Teams

Tents have replaced the igloos, the traditional snow houses. Kayaks have been replaced by motorboats. Only the dog teams have retained their position since they have turned out to be more effective than snowmobiles in transporting fish catches from the ice.

The process of change took place gradually over the decades and accelerated rapidly in the 1950s under the guidance of Danish colonial officials. In 1953 Greenland became a part of the Kingdom of Denmark and became an autonomous province in 1979.

Today Greenland has become urbanized -- to the degree that the world's largest island with vast open spaces and a population of 43,000 people can become urbanized. This means that even though outlying villages have been vacated, the cities are still very small. There are 11,000 people in Nuuk or Godthab in Danish, the country's capital city.

Crowded Nuuk

Nuuk is small, but it is also crowded. Migration from the country has swollen and continues to swell its population. Approximately one-third of the population is Danish.

Migration from the country has resulted in a housing shortage. This also explains other problems -- but only partially. In the background, unseen and difficult to explain, are such factors as cultural disintegration and identity crises.

Greenland's society, whose living conditions dictated by old unwritten laws have been buried in the radical changes of modernization, was extremely vulnerable to outside influences. This in spite of the fact that the rule of Danish colonists became humane, educative, and understanding over the decades.

Indeed, it was the Danes who intentionally accelerated the process of urbanization sometime in the 1960s while observing the thinking of technical-economic



benefit prevalent at the time. Now they openly admit the consequences of that policy. Some of them, indeed, are highly visible.

#### Beer From Kiosks

Uppermost among the problems is alcoholism, which as a number one national disease has replaced the old scourge, tuberculosis. Alcohol can be obtained from supermarkets and from many street kiosks. Around 10:00 o'clock in the evening, particularly on Friday and Saturday, young and old Eskimos buy beer by the case. Vast amounts are consumed in a short time, and, frequently, the drinking bouts end up in street fights or family tragedies.

The Eskimos' drinking habits create impressive statistics. Thirty million cans of beer are consumed annually. The annual consumption of alcoholic drinks calculated in pure alcohol is 21.3 million liters. This is nearly twice the amount consumed in the mother country, Denmark, where even there alcoholic consumption is nothing to spit at.

In part, this irresponsible use of alcohol is responsible for the uncleanness of Nuuk's streets. Bottles and cans are frequently left to lie about the streets. Environmental hygiene is even, otherwise, haphazard.

Prostitution is also apparent, and is surprisingly open in Nuuk's hotels.

#### Gonorrhea and Abortion

We -- the Nordic journalists -- are told about Greenland's other social problems in Queen Ingrid's Hospital. There are 10,000--12,000 cases of venereal diseases, gonorrhea and syphilis, annually -- an enormous number compared to the country's population. There are 650 abortions per 1000 births. The "victims" are often young girls living in crowded conditions.

Accidents, murders, and suicides attributable to alcohol are common. Crib deaths occur especially in the countryside. A percentage of the newly born is injured because of the abuse of alcohol by parents.

A certain young girl in Nuuk relates that three of her friends have recently committed suicide because they felt that their lives had no meaning.

#### Progress Also Evident

The overall picture, indeed, has its bright side also. The average life expectancy of the Eskimo has increased perceptibly. Presently, it is 64 years for women and 55 for men. Just a few decades ago it was 25--30 years.

Medical care in Greenland is almost entirely free, only dental care is subject to payment by the patient. The traditional plagues burdening Greenland's society, particularly tuberculosis, have been eliminated. There is no real drug problem.

The humane attitude of the Danes is most evident in their crime policy. There are no jails, instead one finds a kind of open institution, in which criminals are given rehabilitation. Punishments are lenient: the initial sentence for murder is 8 years, and a 2--6-year sentence of "open prison" for rape. The worst offenders are sent to Denmark. The system is based on Greenland's old customary law.

#### Surprising Number of Mixed Marriages

Race relations are at least outwardly without problems. Danes and Eskimos, both young as well as old, associate with one another quite naturally. There is a surprisingly large number of mixed marriages.

Indeed, there are class differences even though they are not readily apparent. Danes, generally, receive a higher wage than Eskimos although differences in wages have become less in recent years. Naturally, there are class differences within the same race between educated and relatively wealthy Eskimos and the poor.

Those who have money can, indeed, enjoy the comforts of life. Nuuk's department stores are replete with all that can be offered by a modern consumer society. Shops dealing in radios and electronic equipment are especially popular among youth; the relative number of videos in Greenland is greater than anywhere else.

Eskimo politicians are aware of the seriousness of the social problems and are planning measures to deal with them. The toughest stand has been adopted by the Blue Cross movement, which is demanding a ban on alcoholic drinks. In practice this will mean prohibition legislation.

Other Eskimo politicians believe that the right way to deal with such crises is through strengthening autonomy, which will increase the self-esteem of the people.

Within the framework of this thinking genuine Greenland restaurants with indigenous music, dances, theater programs, and so on are being considered in Nuuk and other cities. Meetings attracting hundreds of people, at which the dangers of alcohol abuse and means to prevent it have been discussed, have been held in Nuuk's sports centers.

[25 Aug 86 p 22]

#### [Text] Few Hope for Independence in Greenland

In 1979 Greenland became an autonomous province under Danish rule. In practice, this meant that all branches of administration except foreign and defense policy were transferred into the hands of the Greenlanders themselves.

Nevertheless, the Danish contribution remained significant. Negotiations with the Danes are still conducted on the most important issues, and a small, but

important group of Danes remained in the administrative institutions. Their expertise continues to be necessary in the handling of Greenland's affairs.

The government led by Prime Minister Jonathan Motzfeld has adopted as its goal the strengthening of autonomy in the manner of the Faroe Islands where all the officials are from the local population. This was the original goal of his Siumut Party.

The Atassut Party, which is in opposition, on the other hand, wants to maintain good relations with Denmark and to raise Greenland's society to the level of other countries by emphasizing education. Both Siumut and Atassut have 12 representatives each in Greenland's parliament.

#### Minority Promotes Independence

The small left-wing Inuit Ataqatigiit Party is promoting independence for Greenland, a goal which the other parties -- and the majority of Greenlanders -- reject as unrealistic. The Inuit Ataqatigiit Party has only two seats in parliament, but it supports Motzfeld's government. Its pivotal role in parliament gives it a considerable voice with respect to the size of the party.

Greenland has two permanent members in Denmark's parliament.

When Greenland withdrew from the European Community in 1982, the Siumut and Ataqatigiit parties supported the withdrawal while Atassut, on the other hand, supported continued membership in the community.

#### A Rare Language

The strengthening of autonomy seems to be relatively modest as a goal, but under Greenland's conditions it is anything but an easy task. The differences between the indigenous Eskimo culture and Danish culture or generally between it and a Western consumer society are enormous.

They are reflected, for example, in the language spoken in Greenland, which as a polysynthetic language combining several concepts into the same word is not similar to any other written language.

Even though no Greenlander even thinks about a return to the past, Greenlanders do, indeed, want to retain that in their culture which is of value and adaptable to modern conditions.

#### There Is No University

Education is in a key position in the aspiration to strengthen autonomy. Even in this, exceptional geographical and social conditions raise many difficult obstacles. For example, the establishment of a university in a county in which distances are vast and the population is only 43,000, of whom Danes comprise about 10,000, can hardly be imagined as a relevant solution.

Therefore, Eskimos aspiring to a higher education are forced to find it abroad, primarily at Danish universities. However, adapting to unfamiliar conditions has caused overwhelming difficulties for some.

The Inuit Institute, which is a kind of first step toward a university, has been operating in Nuuk since the beginning of the 1980s. The intent is to expand its 2-year course to 5 years. The institute's most important project is the compiling of a Greenland dictionary. The country's history, literature, and natural resources are also studied there.

### Instruction in Two Languages

The educational system was established in the 1950s on the basis of the Danish model. Presently, instruction in the cities is in Danish, and the native language of Greenland in the villages. In urban schools the native language is taught as an elective subject 2 hours a week. Traditional skills, such as the hunting of seal and whale, are also taught as elective subjects.

In the opinion of many Eskimos, the educational system is not sufficiently "Greenlandized". The teachers' college in Nuuk has become a seat of political activism. The students are demanding faster changes and a reduction of the Danish contribution. Slogans on the walls condemn the study courses since they are considered to bring in too many "Danish teachers" and promote "economic colonialism".

Many Greenlanders see the maintaining of ties with Denmark as necessary. They are concerned that many Danes will leave Greenland at a time when the days of "big money" are over and preference is being given to the indigenous population in many jobs.

### "Assistance Is Based on Guilt"

The desire of Danes to leave is also increased by the fact that they cannot earn as much money in Greenland as in Denmark. For example, the salaries of those in government service are 30 percent less in Greenland than in Denmark. Denmark's trade unions have exerted pressure so that the difference would remain as before.

On the other hand, social programs and care are highly developed. Also the tax on automobiles is extremely low, which is, perhaps, a means of enticing Danes to come to the country and to keep them there.

H. C. Petersen, who works as a teacher and researcher at the Inuit Institute, says that Denmark's desire to assist the indigenous population of Greenland is, to a great degree, based on a guilty conscience. An awareness of the actual conditions in Greenland came as a shock to the Danes. The drastic urbanization process of the 1960s, especially, was recognized as a mistake, and its consequence has been the difficult social problems of the Eskimo population.

Petersen believes these problems will be alleviated in time. He does not see the threat of any kind of revolution in Greenland.

## Language Retained

In spite of the Danish name, Petersen is of Eskimo or Inuit origin. Danish missionaries, the first of whom, Hans Egede, arrived in Greenland in 1723 already, gave the indigenous population Danish names. Thus, the names of many educated Greenlanders are Danish.

In spite of this, the native language of Greenland has remained surprisingly vigorous and vital. The two newspapers published in Nuuk are printed in Danish as well as in the native language. Of the radio programs, 65 percent is transmitted in the language of the native population while only 5 percent of the television programming is transmitted in the local language.

Classics translated into the native language of Greenland as well as a beautifully illustrated book on birds exclusively in the local language, for example, can be found in Nuuk's bookstores.

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POLITICAL

FINLAND

GENERAL'S MEMOIRS DESCRIBING FRUNZE TIMES STIRS CONTROVERSY

General Staff Opposed Accounting

Helsinki HELSINGIN SANOMAT in Finnish 28 Aug 86 p 9

[Article: "WSOY's General Manager Assures Us: Frunze Volume Condemned by Army Will Be Published"]

[Text] Condemned by the General Staff, a Finnish officer's description of his studies at a military academy in Moscow is to be published under threat of a charge of treason. This is what Werner Soderstrom Company (WSOY) general manager Hannu Tarmio said, in whose opinion the Army high command is acting unpatriotically in attempting to prevent publication of Maj Gen Pentti Syrja's book.

Syrja's book, "Gruppa Finlandiya" [The Finland Group] gives an account of Moscow's Frunze Military Academy, at which Syrja studied for a year along with three other Finnish officers in the early 1970's. Syrja belonged to the first group of students who had an opportunity to familiarize themselves with military training in Moscow on the initiative of President Urho Kekkonen and the Soviet defense minister. Right now there are four Finnish officers studying in the Soviet Union.

Fifteen years after his student days, Syrja has assembled his notes into a book which, as things look now, WSOY plans to publish in September, despite the General Staff's anger.

The General Staff command has both verbally and in writing attempted to get the author and the publisher to give up the plan, appealing to them to comply with their duty to maintain secrecy as well as the rules governing the publication of documents and, according to Tarmio, for political reasons.

All Materials Must Be Destroyed

In a letter signed by the chief of the General Staff, Vice Adm Jan Klenberg, and assessor Kalervo Artema, they propose to general manager Hannu Tarmio that WSOY abandon publication of the book and destroy all the materials.



"Syrja's manuscript contains information that must be kept secret, publication of which could jeopardize the interests of national defense and the nation's relations with a foreign state," Klenberg and Artema wrote.

According to them, the group headed by Syrja's experiences with the course of studies were at one time assembled in the General Staff into a secret document, from which Syrja excerpted direct quotations in his book.

The General Staff pointed out that, in order to preserve relations of trust with officials of foreign states, in Finland we have adopted the practice of seeing to it that foreign training is always confidential or secret in its key aspects.

The publisher asked the General Staff for particulars and received so many that, in the publisher's opinion, carrying out the General Staff's wishes would have removed the whole basis for the book.

#### "Highly Placed Officials Rubbed the Wrong Way"

In general manager Hannu Tarmio's opinion, the behavior of the General Staff command is both incredible and discouraging.

"I myself requested that the manuscript of the book be forwarded to the General Staff so that the author would not unknowingly harm himself."

According to Tarmio, the author met with Commander Jaakko Valtanen and received a very favorable response to his book.

A couple of weeks ago, however, according to what Tarmio said, he received a surprising phone call at his home.

"Valtanen asked me whether the book could be left unpublished because both our military attache in Moscow and highly placed political officials in Moscow as well as in Helsinki have been rubbed the wrong way by it."

When Tarmio did not agree to do so, according to him, Valtanen said that the materials would have to be published as secrets.

During the next phase, the General Staff command, according to Tarmio, threatened that the book would in any case be scrapped. Tarmio said that Maj Gen Syrja had received a letter in which the writer demanded that he turn over the secret materials to the Armed Forces under threat of being charged. "Syrja said that he would rather destroy the notes."

The author could not be reached on Wednesday evening.

#### In the Nature of a Travel Account

According to Tarmio, the book has, according to jurists and military experts, been examined so many times that it does not contain a single military secret. All the secret military information in the book has been published in even more detailed fashion, Tarmio maintained.

According to him, the book is very respectful of the Soviet Union and is in the nature of a travel account.

In the first chapter Syrja among other things relates, according to the publisher, how gloves purchased at the Stockman department store were stolen from him in Moscow.

In Tarmio's opinion, the top Finnish officers have in the dispute over the book shown themselves to be very submissive in their relations with Soviet officials.

In Tarmio's opinion, the consequences throughout the world would have been upsetting if they had acted as the General Staff wanted them to and refused to publish the book: "It would have confirmed the picture of Finland as a self-censoring country. Would that have been patriotism?"

#### Klenberg Denies

Vice Adm Jan Klenberg denies that Soviet officials had anything to do with the dispute over the book.

According to Klenberg, the way the General Staff reacted was based solely on the fact that there is information in the book that must be kept secret. Klenberg denies that the General Staff at any point reacted favorably to Syrja's manuscript. According to him, when the General Staff discussed the manuscript with the author, they got the impression that the book would not be published.

"We realize that the publisher is in a sticky situation and we regret the fact."

Any possible charges, according to Klenberg, will be a matter for the Attorney General's Office if the book is published against the wishes of the General Staff.

According to Tarmio, the book will be released.

#### General Syrja Defends Book

Helsinki HELSINGIN SANOMAT in Finnish 29 Aug 86 p 10

[Article: "Frunze Memoirs Author Pentti Syrja: 'The Army Has Made a Mountain out of a Molehill'"]

[Text] Maj Gen Pentti Syrja thinks that the General Staff has made a mountain out of a molehill with the fuss it has raised over his book about Frunze. The book, which describes life at the Moscow military academy, does not, according to the author, contain any secret military materials. The book will be published in September.

Familiar with the manuscript, the General Staff is of a different opinion and has demanded that Syrja's book not be published because it may jeopardize the interests of national defense and the nation's relations with a foreign state.

The General Staff has warned that publication of the book may result in charges being filed. Justice officials will, however, decide on them.

In his controversial book, "Gruppa Finlandiya," Syrja relates his experiences in the course of studies for commanding officers at the Frunze Military Academy in Moscow in the early 1970's. Syrja spent a year at the famous military academy along with three other Finnish officers.

The Army command has tried to pressure both the publisher, WSOY, and the author into abandoning the plan. According to the General Staff, Syrja and his traveling companions' experiences in the course were assembled into a secret document in the General Staff, one from which Syrja excerpted direct quotations for his book.

"We three did indeed make a report of our trip, but I don't have a copy of it. That's why it's impossible that there were any direct quotations from a secret document in my book," Syrja said.

"Besides, there are no clearcut provisions in the Army as to what is secret and what is not. That is decided on one case at a time."

As a former professional soldier, Syrja said that he knows that the military generally label everything that falls into their hands secret. "It makes them feel important."

"Every Word Carefully Considered"

Syrja denies having written anything that might offend the Soviet Armed Forces.

"I'm in possession of the ability to consider the case."

Besides, Syrja thinks that he knows the Soviet military command's tolerance limit better than does the General Staff command, which has never spent a year in the Moscow military academy.

"Even as I was writing the book, I realized that the subject is a delicate one. That's why I carefully considered what I was putting down on paper. I will assume responsibility for the text even at a treason trial. They don't scare me with that."

Syrja said that he would have had no peace of mind if he had given in to pressure.

"As a Finn and an officer, I must have freedom of speech. I stick to that principle."

At the time Syrja discussed the manuscript with Armed Forces Commander Gen Jaakko Valtanen and felt that Valtanen liked his book.

"Valtanen suggested that I rewrite two passages. I promised to do so and I did."

The General Staff has a different understanding of what was agreed on between the author and Valtanen.

Valtanen himself could not be reached on Thursday. He announced through his subordinates that he did not want to participate in the discussion at this point.

General Staff Information Bureau chief Olli Nepponen said that the Armed Forces commander had trusted Syrja to make the changes as promised. However, according to Nepponen, this did not happen. After that, the General Staff began to pressure the publisher.

#### "Silence Ordered"

Syrja said that he did not know why the General Staff had attacked his book.

"I suppose that someone gave the order to silence Syrja."

WSOY general manager Hannu Tarmio thought that there were political reasons behind the General Staff's growling and the different kind of social attitude of the Soviet military. According to Tarmio, officers do not write memoirs in the Soviet Union.

"Perhaps continuation of the training of Finns in Moscow has been questioned and that is why the General Staff reacted as it did."

Maj Gen Syrja is 66 years old. He retired from his duties as commander of the Savo-Karelia Military District 7 years ago.

#### Concise Book, Old Information

Syrja's book is in the nature of a travel account of the studies and experiences of three Finnish officers at the Frunze Military Academy in the Soviet Union.

In the book the methods of study at the Frunze Academy are described and map exercises are presented with the aid of several examples. Among the exercises referred to are a defensive campaign in Korea, a nuclear war in Iran and an offensive war in Europe.

A very large portion of the concise book deals with the way the Finns spend their leisure time in a closed Soviet society.

According to the publisher, there is nothing in the book that might not have appeared in more complete form and of more recent vintage in other military literature.

#### Armed Forces Commander Comments

Helsinki HELSINGIN SANOMAT in Finnish 30 Aug 86 pp 3, 14

[Commentary by Armed Forces Commander Jaakko Valtanen: "WSOY Is Using Freedom of Speech to Benefit Sales"]

[Text] On Friday Armed Forces Commander Gen Jaakko Valtanen assumed a firm stance on the dispute between the General Staff and the WSOY publishing com-

pany over retired Maj Gen Pentti Syrja's memoirs, which involve Syrja and two other Finnish officers' studies at the Frunze Military Academy in 1972.

In Valtanen's opinion, WSOY and Syrja are at present conducting "a publicity and sales campaign for the book by appealing to freedom of speech" as a result of the General Staff statement.

The General Staff has demanded of Syrja's publisher, WSOY, that it not publish Gen Syrja's memoirs on the grounds that they contain secret and confidential information. Furthermore, the General Staff wanted WSOY to destroy any copies of the book that have been printed. The publishing company and the author have refused to agree to the General Staff's demands.

"I defend freedom of speech where Syrja does," Valtanen said in his written statement, and added: "Syrja does not, however, have the right to publish confidential and secret materials obtained in his official capacity in the hope of financial gain."

The Armed Forces commander pointed out that a government official's obligation to maintain secrecy is also indisputable when he is in retirement.

HELSINGIN SANOMAT is publishing an excerpt from Gen Syrja's memoirs on page 14.

#### "No Outsider Has Interfered with Syrja's Memoirs"

In the written statement he issued on Friday, Armed Forces Commander Gen Jaakko Valtanen rejected all suspicions that Soviet officials or other outsiders may have interfered with the memoirs written by Maj Gen Pentti Syrja, retired, and in that way influenced General Staff decisions.

The General Staff has demanded that Syrja's publisher, WSOY, abandon plans to publish memoirs written by Syrja about the year he spent in the early 1970's at the Soviet Frunze Military Academy. In the General Staff's opinion, Syrja has made public information that must be kept secret.

WSOY and Syrja are of a different opinion. The publisher still intends to publish the book.

General Valtanen's statement in its entirety is as follows: "WSOY sent the manuscript of Syrja's book to the General Staff last winter because they had doubts about the possibilities of publishing the information it contained.

"Syrja came to me in January. At the outset of our meeting I emphasized several times that the Armed Forces have neither the desire nor the power to serve as some sort of censor. Syrja has a free citizen's rights to write and speak.



I nevertheless informed him that the book contains information that must be kept confidential and secret, information the publication of which I regarded as dangerous. Syrja questioned my view of the matter. When I repeated myself and pointed out a couple of illustrative passages, Syrja said that he didn't want to rouse the displeasure of the Armed Forces and that the manuscript was only a draft. He promised to examine the text to see to it that no confidential and secret materials remained in it. Syrja, however, was afraid that the book would lose its appeal after the changes. I told him that we might look into the possibility of buying the manuscript as source and teaching material for the Armed Forces. Syrja sharply rejected this, announcing that he had a contract with a publisher. I felt that the book was smoothly written.

"Having trusted the general's word on the changes, we were pretty surprised when, looking over the proofs that had been sent to us, we noticed that no substantive changes had been made. Therefore, the situation had completely changed.

"No outsider had influenced the General Staff's actions, and not under any circumstances Soviet officials. The manuscript of the book had only been in the possession of the author and WSOY.

"Tarmio's (WSOY's general manager, Hannu Tarmio) statement that I had reported the military attaches' reactions is correct inasmuch as I had mentioned to him that Finland's military attaches in Moscow had seen particularly blaring ads for the book and were surprised at them. No domestic or foreign political officials have interfered in the matter.

"WSOY and Syrja are clearly conducting a publicity and sales campaign for the book by appealing to freedom of speech as a result of the General Staff's memorandum. I defend freedom of speech where Syrja does. Syrja does not, however, have the right to publish confidential and secret materials obtained in his official capacity in the hope of financial gain. As a soldier, Syrja knows this. Nor is what is militarily secret an optional matter either. Syrja knows that too. An official's obligation to maintain secrecy is also indisputable when he is in retirement."

#### Newspaper on Press Freedom

Helsinki HELSINGIN SANOMAT in Finnish 30 Aug 86 p 2

[Editorial: "New Book War"]

[Text] Our officials have a deeply ingrained tendency, which is incompatible with our political system, to guard the exercise of the freedoms of speech and the press, most often for reasons of foreign policy.

Last fall officials and politicians were on their guard because of the publication of Paasikivi's diaries. Up to and including the prime minister, they were concerned and voiced their doubts that people might not be capable of reading the book "in the right way." Now the Armed Forces high command is

demanding that the publisher cancel publication of a retired general's memoirs of his life in Moscow and his studies at a Soviet military academy 15 years ago.

The General Staff's weapons are crude ones. They speak of the disclosure of military secrets and of endangering trust in us abroad. They are prepared to take publication of the book to court.

Since the book has not so far appeared, it is impossible for an outsider to judge claims that military secrets are revealed in it. In addition to the author, the publisher also sharply denies this, calling on his own experts. This bickering over the conditions set by the General Staff is meaningless: The Army says that it decides what is included under the heading of military secrets.

Instead of the disclosure of military secrets, the Army may be primarily concerned with how hypersensitively they are reacting to the Finnish officer's book in the Soviet Union and how this may affect the climate of friendly contacts with our Armed Forces.

Diplomats, reporters and students have for a long time now been writing descriptions of everyday life in Moscow. Why should retired officers be forbidden to do so? Let's hope that we are not making a mountain out of a molehill again.

The public controversy this has given rise to is troublesome. It will inevitably lead to extensions of the principle. Judging from advance information, the general's book of memoirs is probably not otherwise deserving of such a fuss.

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POLITICAL

FINLAND

## NEWSPAPERS AROUND COUNTRY VIEW CONSERVATIVES, PRESIDENT RACE

### Weak Start into Race

Helsinki HELSINGIN SANOMAT in Finnish 27 Aug 86 p 2

[Editorial: "Conservative Party Returns to Starting Line"]

[Text] The Conservative Party has gotten off to an unquestionably weak start in the Finnish people's favorite pastime, the race for the presidency. When the Center Party (KEPU) got off to the start it had dreamed of with an early official stamp of approval of Vayrynen's candidacy, the Conservative Party was immediately next in line to wait for its turn to throw the dice. After that, in its turn it wound up on a square from which it had to go back to the start.

A real presidential race is not, as we well know, a crap game in which everything depends on a lucky roll of the dice. The Conservative Party leadership can blame itself for having behaved in a clumsy manner at the moment last spring when the KEPU got off to a false start.

At the time the Conservative Party still had a nearly self-evident presidential candidate, Harri Holkeri. It was so obvious that there did not seem to be any urgency in officially approving his candidacy. While the party leaders contented themselves with passively observing how the situation was developing, spontaneous discussion of the candidate arose among the rank and file during the summer. This has so far culminated in Speaker of Parliament Erkki Pystynen's appearing as a second official contender for the Conservative Party's presidential candidacy.

Chairman Ilkka Suominen assures us that he is content with Pystynen's participation. This will enable them to have a vote by the members of the party and the rank and file will have a chance to democratically influence the selection of the party's candidate. Actually, there are obvious features of the American primaries in the Conservative Party procedure. This will certainly appeal to the party's voters.

Viewed from this standpoint, parliamentary delegation chairwoman Ulla Puolanne's last-minute appeal to the effect that there was reason for Pystynen to consider entering the race for the candidacy must indeed be regarded as surprising. The

appeal was, however, revealing. A race for the candidacy might put the unity of the party ranks to the test and shake confidence in the party leadership.

And what if Harri Holkeri should not prove to be as powerful a candidate in the member vote as the party leaders earlier assumed without any further consideration? What sort of authority would Ilkka Suominen have after that? Proposing a member vote was, after all, an alternative that was dreamed up very late in the game — to silence critics of the party leadership.

#### Straw Poll: Pystynen Trails

Helsinki HELSINGIN SANOMAT in Finnish 27 Aug 86 p 11

[Text] In its own [Tampere] cell the Conservative Party last week organized a vote at the Tampere fair on who would be the most suitable Conservative Party candidate for the presidency. There were 1,343 respondents. The votes were distributed as follows: 825 for Harri Holkeri, 245 for Raimo Ilaskivi, 95 for Ilkka Suominen, 36 for Mauno Koivisto, 34 for Erkki Pystynen, 19 for Paavo Vayrynen and 15 votes for Pertti Salolainen.

#### Editorial Roundup on Race

Helsinki HELSINGIN SANOMAT in Finnish 27 Aug 86 p 11

[Text] Ilaskivi's Votes Go to Pystynen

The anticipated Conservative Party member vote on its candidate for the presidency was the favored topic of editorials on Tuesday. Appearing in Tampere, Conservative Speaker Erkki Pystynen's home town, AAMULEHTI predicted a clean contest. The newspaper did not back either candidate.

"The Conservative Rank and file is certainly familiar with both Holkeri and Pystynen. It is also evident that the candidates, no more so than their supporters, will not lapse into a contest of the sort the Center Party's doctors engaged in in connection with the last presidential elections. Lord Mayor Raimo Ilaskivi's refusal to run has given rise to a situation in which Speaker Pystynen is garnering, in addition to support for himself, the votes of those who look askance at Holkeri regardless of the gentlemanly behavior of the candidates."

#### Pystynen Counted Votes

KANSAN UUTISET's Tampere columnist, Mauri Sirno, recalled the early days of Erkki Pystynen's political career on the Tampere Municipal Council. Sirno revealed the means employed to make a real Tampere politician out of a theoretician who was in the habit of making long speeches.

"When Erkki Pystynen appeared on the Tampere Council for the first time, even the veteran councilmen got to hear how the community should be governed. They would certainly have had to listen to those didactic lectures for years if chairman Vilho Halme had not finally lost his temper.

"The long-term politician by no means silenced the theoretician with an imperative command, but with wisdom, which really had an effect. You see, Halme told the esteemed professor to count the votes that had been dropped into the ballot box several times.

"Pystynen was, to be sure, aware that that job normally fell to the 'girls' on the council."

#### Internal Situation Will Be Clarified

Appearing in Vaasa, the Conservative POHJALAINEN predicted that the member vote would clarify the Conservative Party's internal situation.

"With the member vote the Conservative Party will now have an opportunity to clarify the situation. Not everyone will, of course, be satisfied with it. We may say, for example, that not the right people and issues will be gauged in the vote. But 100-percent satisfaction would indeed be suspicious."

#### Holkeri's Position Strengthened

The independent HAMEN SANOMAT predicted that Pystynen's candidacy would strengthen Harri Holkeri's position.

"Thus it does not look as though party-internal harmony will be affected by the primary, perhaps just the opposite. The Conservative Party is now for the first time, in the member vote on the selection of a presidential candidate, laying the groundwork for allowing party members to make their choice as independent individuals. On the other hand, approval of Erkki Pystynen may further strengthen Harri Holkeri's position as most-favored candidate."

#### Will Holkeri Go Along with Them?

Appearing in Jyvaskyla, the KEPU's KESKISUOMALAINEN reminded us that Harri Holkeri has not yet given his consent to being a candidate.

"The member vote will determine whether Holkeri goes along with us. If, surprisingly, he refuses the honor and recommends that his party without prejudice even stand behind Mauno Koivisto, the Conservative Party will be in a rather tight spot.

"It's as plain as day that Holkeri is not very happy with the new developments. A bump has been raised on his sovereignty. It can be patched with a wild idea."

#### Further Editorial Comments Summarized

Helsinki HELSINGIN SANOMAT in Finnish 28 Aug 86 p 9

[Text] Troops Lacking

Speaker of Parliament Erkki Pystynen has been conspicuously nominated as a candidate for the member vote in which a presidential candidate for the



Conservative Party will be chosen, SUOMEN SOSIALIDEMOKRAATTI writes, but at the same time notes that the group that nominated Pystynen was a very small one.

"The troops did not rally to support the speaker."

The newspaper is of the opinion that the launching of the speaker's showy power struggle may end in weak support within the Conservative Party.

Thus Pystynen's positions in Parliament would at least not be strengthened, SOSIALIDEMOKRAATTI writes. "It's possible that the Conservative Party's advisory member vote may mark the way out of his duties as speaker and also out of Parliament for Erkki Pystynen.

"The emperor didn't have any clothes either."

#### Toward an Embarrassing Note

The fact that Pystynen swears that he holds the same political views as Holkeri corroborates the embarrassing note in the set-to between Erkki Pystynen and Harri Holkeri, chief editor of KALEVA (independent) Teuvo Mallinen writes.

"Since this is so, Pystynen feels that he is better than Holkeri on the sole basis of personal attributes. On the basis of this, elections are conducted in the Conservative Party by indulging in personalities.

"Pystynen is certainly not launching a campaign against Holkeri merely as some sort of rival contender and sprinter, as a good loser who is sacrificing himself for the good of party democracy. This would not be in keeping with the prestige of the nation's number-two man, and Mrs Pystynen would certainly not like it either."

#### Name to Be Remembered

ETELA-SUOMI (independent) has a more optimistic view of Pystynen's future. The newspaper asserts that, as speaker, Pystynen has demonstrated his ability to perform exacting tasks.

"When Erkki Pystynen reached the decision to aim for his party's presidential candidacy, although Pystynen does not admit it, providing him with an image, bearing in mind the coming parliamentary election campaign, was behind it.

"He will certainly also be reminded that in his time Ilkka Suominen, the current chairman of the Conservative Party, resigned from his post to try for others."

#### Holkeri Has One Continuous Celebration

"These past few days I've been having one continuous celebration," bank director Harri Holkeri writes in his regular column in TURUN SANOMAT (independent).

He describes his experiences like this: "My statistics week began Friday before last with a dirigible flight and went on afterwards with skeet shooting on Saturday. Then came a SEA jazz cruise and later that evening butterfly chasing.

"The following day brought crayfish feasts and the next day a Foreign Ministry cocktail party in honor of the ambassadors. When we got to Thursday, the Helsinki festival weeks were inaugurated. The stream of celebrations went on and on until the following Friday, and I went to the barber's."

Holkeri's celebrations will probably culminate this week when they visit him to officially ask him to enter the Conservative Party presidential race as a candidate.

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POLITICAL

PORTUGAL

#### COOPERATION WITH BRAZIL: SOUTH AFRICAN POLICY DIFFERENCES

Lisbon EXPRESSO in Portuguese 23 Aug 86 p 3

[Article by J. Henriques Coimbra and Hermano Alves]

[Text] Brasilia--The conditions on which Lisbon's foreign policy is currently based have just been made evident once again: Minister Pires de Miranda's visit to Brazil, which ends today in Rio de Janeiro, has not resulted in a Portuguese-Brazilian "joint declaration." This is a reminder of the difficulties encountered in drawing up the document which resulted from President Sarney's recent visit to Portugal and which both countries signed.

Then as now, the policy being pursued by each of the governments relative to the African continent caused a sharp division in opinion among the leaders: the presence of over 700,000 Portuguese emigrants in South Africa is making it more and more difficult to harmonize points of view between those "friendly" or "brother" countries--which have even decided now on a joint celebration to commemorate the discovery of Brazil by Pedro Alvares Cabral.

While declaring in Sao Paulo that his contacts with Brazilian authorities "have now resulted in the establishment of a joint commission whose task is to begin studies to decide on the program for commemorating Brazil's 500th anniversary," Pires de Miranda observed that everything is moving toward closer cooperation in the international area, "although each country naturally has specific interests, as is true, for example, in Africa." It should be noted that in Sao Paulo, the minister of foreign affairs visited the Biennial Book Exhibition, where Portugal is making its presence felt with 5,000 books--its largest book exhibit ever.

According to his statements to EXPRESSO in Brasilia, Pires de Miranda feels that "although it is impossible to indulge in sentimentalist rhetoric, Portuguese and Brazilians are now prepared to move into the field of specific measures."

#### Apartheid Creates Political Difficulties

But when it came to political options, Lisbon remained reticent on the issue of applying sanctions to the Republic of South Africa: the Portuguese minister

said only that Lisbon might reexamine its stand but that the important thing was to condemn apartheid and increase the Portuguese-Brazilian presence in that part of the continent.

Observers in Brasilia told EXPRESSO that it would be difficult for Portugal, as a member of NATO, to support the proposal that Brazil will submit to the United Nations in September concerning the "military denuclearization of the South Atlantic," which would thus be declared a "zone of peace," but that on the other hand, Portugal would be perfectly capable of playing an important role by joining with countries on South America's east coast which want no interference by third parties in the southern part of Africa--specifically in Angola and Mozambique.

The economic side of Pires de Miranda's mission, to which he also gave prominence this time (he is an engineer with a great interest in petroleum and once lived in Brazil), seems to have a greater chance of success, however. He is reported by the NP as saying: "Portugal's entry into the EEC will be a new and powerful stimulus."

The two countries have promised, in fact, to establish a permanent system of bilateral consultations on diplomatic, economic, military, and cultural matters. The Brazilian minister of foreign affairs, Abreu Sodre, told EXPRESSO that he himself is aiming at closer relations with Lisbon--an objective, incidently, that is in line with instructions from President Jose Sarney.

#### Technical Cooperation

While Salazar Braga discussed the possibility of Portuguese purchases of war material with the Brazilian arms industry (which is going to sell Cascavel armored vehicles to Angola, which prefers them over the Portuguese Chaimites), Pires de Miranda went to Sao Paulo to talk to businessmen who might be interested in doing business with the Portuguese. The discussion was about implementation of the dozens of joint ventures for which plans have already been made. Within that context, some firms in Lisbon might consider entering the "mini-common market" consisting of Brazil, Argentina, and Uruguay, which will begin functioning next year and which will comprise a market of 170 million people.

Lastly, it was learned that Brazil might provide Portugal with valuable cooperation in the field of technology, beginning with data processing. Renato Archer, Brazilian minister of science and technology, has already been invited to visit Portugal, where he is to establish contact with Portuguese institutions concerned with research.

It was suggested that as a result, Brazil might eventually participate, through Lisbon, in the Eureka Project by providing advanced technology for the construction of an orbital satellite or proposing an expanded partnership in which Argentina and China might also be interested.

## Visits by Soares and Cavaco

In this context, it is probable that Prime Minister Cavaco Silva will soon visit Brazil with the understanding that cooperation plans between the two countries will be finalized at that time.

As for President Mario Soares, it is agreed in principle that he may return Jose Sarney's visit while the National Constituent Assembly is in session--that is, around April or May of next year. He will then have the opportunity to address the Brazilian people through that body.

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POLITICAL

PORTUGAL

PERSONALITIES, SCENARIOS FOR NEXT GOVERNMENT DESCRIBED

Lisbon O JORNAL in Portuguese 29 Aug 86 pp 2-3

[Text] Sa Machado, Nobre da Costa or Bayao Horta? These are the three individuals mentioned as possible heads of an independent government coming out of the Assembly of the Republic after a possible crisis provoked by Cavaco Silva and the PSD. It remains to be seen if the social democrats want this crisis, if the president of the republic wants such a government, and if the PS will accept it.

The hypothesis for now is a secret known only to the gods. A possibility put forth by circles close to Almeida Santos would require a joint effort by the president, the PS, the PRD and the CDS to become a reality. If Cavaco were to resign, Soares would ask the parliamentary party to submit a solution to him. An independent executive branch would then be suggested, headed by any one of the prestigious figures who could win the support of the socialists, renewal faction and centrists.

If this idea seems alluring, it immediately involves a number of difficulties. The first has to do with the question as to whether such a government might not be extremely fragile, such as to provide the opposition, in the even of a failure, and the prime minister with a delayed trump card to be played in later elections.

Cavaco's Hypotheses

The Pontal discussion, extremely violent for the opposition sector, shows that Cavaco is ready to do anything to put forth his thesis to the effect that he deserves credit for everything good which has been done, while everything which was not done can be imputed to the opposition. But this does not mean that he is ready to sacrifice his place in the government.

Moreover, while there are forces in the executive branch which defend an all-or-nothing policy, and want to impose a program or abandon the government, there are others which will support a debatable strategy by the prime minister only up to the point short of putting the survival of the PSD in the executive branch in jeopardy.

Cavaco Silva has, then, two possible strategy choices. But he knows that one of them, demanding elections, involves an excessively dangerous wager. In this instance, the PSD is only interested in an absolute majority. To return to a minority government status would mean forcing the party to negotiate under worse conditions than it has at present. There is nothing to suggest that the prime minister has already chosen his strategy. For the time being, there are still three possibilities open to him: reorganizing the executive branch, giving it an explicitly or implicitly majority character; preparing for (and proposing) overall negotiations with the opposition so that the common points can be found which will allow the government to know what it can rely upon; or demanding the dissolution of the parliament, with the resulting early election.

#### Negotiation or Elections?

1. The hypothesis of reorganizing the cabinet would have to involve an agreement with the PRD. Naturally Eanes might not mind signing such an agreement, but it is hardly likely that the renewal faction as a whole would view it kindly. Obviously, this choice would not necessarily have to involve a coalition of the two parties. The PRD could limit itself to appointing some independents to the cabinet while maintaining an agreement on parliamentary balance with the PSD. This hypothesis, while it pushed the PRD into a space farther to the right than that the renewal faction wanted to occupy (and which became more difficult because of the new PS direction) had the advantage of institutionalizing the party.

2. Overall negotiations with the opposition, and therefore with the PRD, but with the PS and the CDS as well, would allow the government to remain homogeneous instead of becoming the prisoner of the renewal faction. But it would have to accept the limits which would be imposed upon it. If this type of solution had the advantage of being formally more stable, it would on the other hand represent a tremendous retreat for the government, bearing in mind what Cavaco Silva has defended.

3. Elections would only make sense for the PSD if, as has already been said, they were to produce an absolute majority. Otherwise, even if, as is predictable, the PSD were to win again, and by a higher percentage, this would mean that it would have to negotiate a government under conditions worse than those it currently enjoys.

But given a future call for elections, the last word would fall to Mario Soares. Logic dictates that the president of the republic would have no reason to object to any negotiations between the government and the opposition, or the opposition groups, which would result in greater stability. However, nothing would require the president to decree elections either, solely because the prime minister so desires.

#### The Soares Hypotheses

Given Cavaco Silva's resignation, there is every indication that Mario Soares would have to ask him to form a new government. This is the result not only of a proper interpretation of the constitution, but would have the advantage

for the president of the republic of demonstrating clearly that it was Cavaco Silva who refused to govern (in the event, obviously, of a second refusal).

Moreover, Soares would have three choices: installing a cabinet of independents, emphasizing the differences between it and the cabinets established on the president's initiative which he himself criticized so extensively; giving a minority PS government the green light; or actually calling for elections.

1. The government of independent officials will have to be considered in terms of the possibility that it might become a negative experience for the president of the republic and for the forces which would have to be involved therein (PS, PRD, CDS).

For the president, this would be because he would be seen, whether he liked it or not, as linked with the government. For the opposition, and in particular for the PS, this would be because since it would not be a government of the party, it would have to have parliamentary support from the socialists, because a government of this sort, lacking homogeneity, could lead to greater instability, such that the experiment might lead to elections which, being held some months later, would do harm to those who supported this solution and would provide clear advantages to the PSD which, on the outside, would gain strength from the possible failures of this government.

2. It is hard to defend a minority PS government. This is because of the barely 20 percent it has, and also the fact that the executive branch can go from one side of the political spectrum to the other without elections. [Original ends with first word of a new sentence.]

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POLITICAL

PORTUGAL

PRD SAID TO DESIRE EARLY ELECTIONS

Lisbon EXPRESSO in Portuguese 6 Sep 86 pp 1, 24

[Text] Among the PRD [Democratic Renewal Party] leadership organs, the proposition that early legislative elections over the short term would be beneficial for this political party is gaining ground.

As EXPRESSO learned from several Democratic Renewal leaders, this strategy of an "advance outlet" has evoked many supporters (including Ramalho Eanes himself), and is based on the following assumptions: PRD is not equipped to make a parliamentary alliance with PSD [Social Democratic Party] (as attested by the recent relations between the two parties); while at the same time an agreement with the Socialist Party has become virtually impossible, in view of the positions upheld by Vitor Constancio. The assumption of the PRD leadership by Ramalho Eanes, at the forthcoming national convention of the Democratic Renewal members set for October, would advise a test of electoral strength immediately thereafter, taking advantage of the former president's party launching, his still relatively great popularity, and the fact that he is not yet exhausted by an actual party leadership. The Socialist Party would not have sufficient time to consolidate not only its new leadership and new image, but also its organization, or its logistical and financial structures. And, finally, polls to which the PRD leaders have had access indicate that, in elections held within a short time, the party would suffer losses of only about 3 or 4 percent, possibly standing at approximately 14 percentage points, a number regarded as an "excellent" score by its leaders.

The misgivings raised about this strategy are based, in turn, on the fact that the Renewal members admit that the Portuguese population is "fed up" with elections and political crises (the same concern which, as the sectors themselves recall, prompt Cavaco Silva to hesitate regarding the occasion for a political crisis in October, leading to general elections). This fact could penalize, from an electoral standpoint, the party that becomes responsible for another political crisis, in the public's eyes. One PRD leader told EXPRESSO: "We want elections and PSD does too"; adding: "The hunger is combined with the desire to eat...but no one has the courage to serve the meal."

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POLITICAL

PORTUGAL

SOARES' LOW-KEY STYLE SEEN FRAUGHT WITH TROUBLES

Lisbon EXPRESSO in Portuguese 23 Aug 86 p 3

[Article by Jose Antonio Saraiva]

[Text] The presidency of Mario Soares has definitely not been displeasing the Portuguese.

Although over 48 percent of the voters did not vote for him in December, there are probably not 5 percent today, only 8 months later, who disagree with the way he has been conducting himself in office.

But there are reasons for that.

On the right and on the left.

The Right is not showing hostility toward Mario Soares for the simple reason that he has been allowing Cavaco Silva to govern.

As for the Left, and particularly the Socialist Party [PS], it supports Soares because he separated himself from the question of succession in the PS and caused no problems to prevent Vitor Constancio and his comrades in the former secretariat from taking over the party leadership.

Soares is therefore pleasing practically everybody, not so much because of what he has been doing but because of what he has refrained from doing.

In other words, Soares does not please through his presence but through his absence.

And perhaps that is the best way for a president to conduct himself in office.

It happens, however, that it is one thing not to be aware of the presence of the president of the republic and that it is something very different to be excessively aware of his absence.



And here it is necessary to ask: is it not possible that Mario Soares has been too conspicuous in letting it be known that he is not doing anything?

There is his frequent attendance at exhibitions and inaugurations.

There are the abundant picture-taking sessions to which he has been subjecting himself at the beach.

And there is the lengthy sea excursion in which he recently indulged. All of that has helped to give the ordinary citizen the impression that Mario Soares is excessively fond of idleness. And perhaps that is not the best image that a president ought to project.

It should be recalled that even in periods when he was not participating in public affairs, Ramalho Eanes did everything possible to appear to be an interested, austere, and conscientious man.

Soares is not Eanes--everyone knows that.

And it is a good thing that he is not.

But the air of good-natured worldliness with which he is playing his role, although probably aimed at creating an image of peacemaking and confidence, may have exactly the opposite effect.

It may happen that the country will begin to grow uneasy with the idea that it has a president of the republic who is not always on the job and who gives the impression that he is not being serious enough in his attention to affairs of state.

11798

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POLITICAL

PORTUGAL

POLITICAL, SOCIAL SITUATION IN PCP REVIEWED

Lisbon O DIABO in Portuguese 23 Aug 86 pp 10-11

[Article by Agapito Pinto]

[Text] It is always difficult to make any kind of analysis of the Communist Party, since its nature as a self-contained and close-mouthed institution prevents one from looking at its internal life and searching in the normal way for reasons that would explain the party's practices.

The Communist Party currently represents 15 percent of Portuguese voters, and as is known, it is one of the largest communist parties in West Europe—that is, in the democratic societies.

It has been headed for decades by the same leader, Alvaro Cunhal, and it is the only party that has never formally constituted the government since the current Constitution took effect, although it has supported, more or less openly, some of those formed since April 1976.

Even so, the CP provided the basic support that elected both presidents of the republic during this constitutional period: Ramalho Eanes and Mario Soares. The fact is that while swallowing its pride to a greater or lesser extent and with varying degrees of success or defeat, the CP contributed both to the reelection of Ramalho Eanes (its most overt contribution) and to the election of Mario Soares.

But more important than all that—or equally important—is the CP's attachment to the Constitution of the Republic. That attachment is significant, since it allows no one to doubt that the country's current economic structure is advantageous above all to the CP because it obstructs development and progress. Our Constitution is one whose basic principles continue to impose the path to socialism on us, just as it continues to regard as irreversible the decisions reached on the night of 11 March 1975 by the men in the MFA [Armed Forces Movement] of the time—that is, the so-called nationalizations of basic sectors of the economy. It is also a Constitution which protects the outrages committed in the agrarian reform's so-called intervention zone. It is a Constitution aimed at a planned economy; it is, in short, a Constitution that has nothing to do with the realities of these final years of the 20th

century. That makes it one of the factors most fiercely obstructive of Portugal's modernization, and that is why the CP insists on preserving its content.

As a matter of fact, the CP knows that the less development there is in the country, the greater the chance that the voters will judge, on proper grounds, the proposals for society as advanced by each of the parties. It also knows that in addition, it will have a better chance of convincing some people that the inspiring model presented by Portuguese Communists is the model for a society that will bring happiness to everyone.

But no one should be surprised that the CP is proceeding in that manner: it is merely protecting its interests and merely seeking to gain control of political power. That is a proper objective for any party, and even more for a party whose calling is not national but totalitarian, as is the case with any communist party.

It is known that Alvaro Cunhal has--almost always--assigned a higher priority to defense of the nationalizations, agrarian reform, and what he called workers' control than he has to the living standards of the various sectors of the working classes.

The CP may instigate strikes when wage negotiations are at stake, and it may foment demonstrations when the closing of some firm is decreed. But the time when the CP invariably takes to the streets is when the structure that has enabled it to maintain some measure of power is shaken to its foundations.

#### CP and Eurocommunism

Alvaro Cunhal has always condemned so-called Eurocommunism. Some people will say that he has done so out of orthodoxy and out of loyalty to the CPSU and the model that the latter has always advocated. Others will say that Alvaro Cunhal has done so because he received instructions to do so from the Soviet Union's leaders. In practice, it probably all amounts to the same thing, but the difference is presumably important. Although Cunhal has always condemned Eurocommunism, he began saying in the late 1970's that he accepted pluralist democracy as the political system "desired" by the Communists. In general (there have been exceptions, one example being a famous interview with Oriana Falacci), he has stopped criticizing or condemning parliamentary or "bourgeois" democracy and started presenting it as a model which the Communists support for the functioning of our country's political institutions.

Cunhal has stopped "debunking" elections and has not been harping, as he did for years, on the low level of voter enlightenment, nor has he ever again talked about the church's influence on elections.

In practice, therefore, the secretary general of the CP has begun to accept--seemingly--the rules of pluralist democracy as well as the factors determining its development in Portugal.

Cunhal and the CP have even decided to tone down the redness with which the party presents itself in election campaigns by forming coalitions with the MDP/CDE [Portuguese Democratic Movement/Democratic Electoral Commission]. This makes it possible for the CP not to appear as such on the ballot. Red has been banished from the party's posters, and the hammer and sickle have disappeared, as has the word "socialism," meaning "communism."

It can be said that the CP has almost disguised itself. Besides changing its visual image, it has tried to present an image of complete integration into the normal patterns of life in Western societies. This has no doubt been a Cyclopean task for the Communists, but the results have undoubtedly been worthwhile for the rest of us.

In any case, that modernization or "Europeanization" has not yet enabled the CP to stop the "hemorrhaging" it has been suffering from the standpoint of its young members.

The CP wielded enormous influence in the youth and student movements during the period immediately following 25 April 1974, but as the years passed, it began to witness a gradual decrease in its influence with young people.

This is not the place to analyze the reasons for that "hemorrhage," but the fact is that a quick glance at election results in young people's organizations and in the schools leads to the conclusion that the Communist Party's influence has declined drastically. This is one of the big challenges currently facing the Communists: how not to turn into an ancient and antiquated party in that respect as well. The reasons for that phenomenon may be many, but we take the liberty here of drawing attention to one important one, and that is the CP's excessive connection with and domination by life in the Soviet Union, the practices of the Soviet Union, and events in the Soviet Union. The fact is that young people cannot help being sensitive to such events as nuclear tests (despite the moratoriums that are now going to be granted), they cannot help thinking, and thinking a great deal, about events such as the one in Chernobyl, and they cannot feel any special attraction to a party that seems too closely tied to a superpower which has markedly militaristic intentions, directs such events as the permanent invasion of Afghanistan, or wants to divide up the world by building walls in Berlin and elsewhere. Young people want a quiet and free life. Young people cannot feel attracted by oppressive countries, by theses concerning conflict, or by situations of holocaust.

#### CP and Other Parties

The CP continues to draw a dividing line between what it considers "democratic parties" and "rightwing" or "reactionary" parties.

Until recently, the only "democratic" parties were the CP and the Socialist Party [PS], but now a new party regarded as democratic has appeared--the PRD [Democratic Renewal Party]--whereas the PSD [Social Democratic Party] and the CDS [Social Democratic Center Party] continue to be "rightwing" or "reactionary" parties.

The PRD has been the CP's main hope in recent times. It was the CP's main hope for splitting the Socialist Party--for weakening what was then Mario Soares' party--its main hope for electing a president other than the present one, and its main hope for being able to turn itself--the CP--into the largest "leftist" party. The CP was also hoping to come to power sooner or later through the PRD.

It can be said that the PRD has turned out to be a poor bet in practice. It did indeed split the Socialist Party, but did not prevent it from continuing as the largest party on the left. The PRD did not prevent the renewal of the Socialist Party--which has elected a leadership under Vitor Constancio that is very different from its predecessor. The PRD also did not prevent the election of Mario Soares as president of the republic, nor does the PRD seem very interested in someday taking the CP by the hand and leading it into the government.

At the same time, it is unquestionable that the PRD has brought some advantages for the CP, since to some extent it has made the operation of the political system more difficult and made possible coalitions in the center of the party spectrum more complicated.

The CP's main objective today is to return to the government even after suffering a defeat in the presidential election.

It can be argued, and some of the sectors defeated in that election may be doing so, that Mario Soares got the CP's votes, or, putting it another way, that the CP wound up supporting the president who was elected. But that support constituted another defeat. The CP found itself forced to support the man whom, until then, it had always declared to be its chief enemy: the man whom it had sworn and guaranteed never to help with its votes and the man it had declared in its public statements to be worse for the "Left" than any leader from the "traditional Right."

It is understandable that some people tried to paint over that defeat with embarrassed suggestions that it was a victory. Perhaps less believable is the effort to ascribe "genius" to the CP's leadership on the part of individuals who would have been expected to emphasize the historic defeat suffered by the CP. But with that period over and those events past, the main objective in the CP's political struggle is, as we said, to return to the government.

The trouble is that it is difficult for any party to remain in the opposition for years on end and, what is worse, to see no glimpse on the horizon of the day when it will again occupy the seats of power.

Parties are not associations for protest, and they are not merely civic organizations or merely instruments of folklore: they are organizations designed to win power.

For that very reason, the CP has harshly criticized the theses proclaimed by the new leadership of the Socialist Party in support of a bipolarizing or bipolarized model for the Portuguese political system.



Almost every day in its unofficial morning newspaper, the CP insists on the need to form a coalition government consisting of what it calls the democratic forces.

The CP never grows weary of reminding its closest partners in the PS and the PRD that without it there is no possibility of a majority to support an alternative to Cavaco Silva's government.

It tries to demonstrate this in what it says, and it tries to demonstrate it in practice through forms of agitation which the Socialists and the PRD's men know they would also have to face someday if they were the government individually or together, but in any case without the Communists.

#### CP and Social Structures

But the impossibility of achieving power, which has been the CP's lot for all these years, has not prevented it from applying Gramsci's maxims by trying to control every important center for spreading the propaganda that suits it.

The CP has established itself in the departments of the Ministry of Education, controls several cultural organizations and activities, and is attentive to the top media organizations.

On the other hand, it does not neglect in its activities those who form the basic sectors in any society--sectors which must be very solid pillars of any society that wants to maintain the principles and values on which social organization is based.

Specifically, we are referring to the Armed Forces and the legal apparatus, to which the CP has paid particular attention (and when we say Armed Forces, it must be understood that we also include the security forces).

Everyone is aware of the agitation which the CP has been trying to cause within the PSP [Public Security Police], specifically through its attempt to form a union, and the first identical signs are beginning to appear in the GNR [Republican National Guard] with the circulation of communiques similar to those being distributed within the Public Security Police.

In addition, the Communists have directed most of their members holding licentiates in law to the Center of Judicial Studies, the idea being to get them assigned to the bench and thereby influence many of the most important decisions made in any society in a direction favorable to their objectives.

The CP has also been trying not to antagonize the Catholic Church, which continues to be a major force in Portuguese society. The party does not close its doors to anyone professing that religion.

The CP knows that in a society with structures as weak as those in Portugal, it is better to occupy the main decisionmaking centers discreetly and without making an uproar than it is to engage in big public campaigns over confrontations with which it is not in an especially good position to cope.

For example, the CP continues to look after sectors of property defined in accordance with rules decreed on the night of 11 March 1975, it continues to have an intervention zone for agrarian reform that has not been normalized in accordance with the rules and principles in effect in the European Community, and it still has media controlled chiefly by the state and, frequently, by its own men or men close to it. The CP also continues to have two television channels—or, more accurately, one and a half channels, since its access to private television is still barred. The CP is continuing, more or less effectively, to keep the main decisionmaking centers subject to control by the state, which it finds it easier to infiltrate with its own trusted people.

It is true that private banks and several private insurance companies have appeared. It is also true that there is an almost unstoppable movement underway to open up the media to private ownership. And it is also a fact that a great deal has been done to remove people close to the CP from the top posts in government departments.

But the basic problem is a matter of mentality, prejudices, fixed ideas, complexes, hesitations, and adherence to taboos that are already out of date in developed democratic societies. That and the subtle effects of propaganda concerning the Communist Party's "trump cards."

People still have some fear of being considered reactionary, they continue to worry about possible ties with sectors not included on the democratic roster, and many are still clinging to models and theories of economic and social organization that have already been completely exposed as failures all over the world.

It is a fact that the CP, as well as its brother parties, cannot remain indifferent to development and progress.

Every institution in the world must keep up with the times, and the communist parties themselves are no exception to the rule.

This is proven by the new image being projected by the Soviet Union and by its new leader Gorbachev in his public appearances, where he informs the world of shifts within the Soviet Union and tries to break away from the almost prehistoric image that was so prominent in reports by previous Soviet leaders.

In Portugal, the leadership of the Communist Party continues without change. It has been the same since 25 April 1974, whereas all the other parties—little by little and for various reasons—have replaced their respective leaders.

Alvaro Cunhal seems to be as strong as ever. Men who gave signs of wanting to change anything in communist policy and habits have been left behind and removed from active politics. This was the case, for example, with Vital Moreira and Veiga de Oliveira.

There is no doubt that Alvaro Cunhal has an astounding capacity for adaptation, but if the figures in the polls are confirmed by election

results—that is, if the Communist Party's decline grows worse--then, whether with Alvaro Cunhal or without Alvaro Cunhal, the CP is going to have to change a lot more than the little that it has changed so far.

The day will come when we will learn where the secretary general of the Communist Party lives, who he is married to, what his family life is like, and what his habits are. We will see a more "bourgeois" Communist Party--that is, a more "Westernized" party or, to put it still another way, a more "normalized" party.

In the end, and as always happens, it will be in the image and likeness of the fashions dictated by its "guiding Muse."

11798

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POLITICAL

PORTUGAL

'CONSUMERISM' SAID TO CHARACTERIZE CAVACO SILVA GOVERNMENT

Lisbon SEMANARIO in Portuguese 23 Aug 86 p 14

[Commentary by Jose Miguel Judice: "The 'Dictatorship of Consumerism'"]

[Text] The way in which Cavaco Silva and his ministers govern probably strikes the unattentive observer as the ultimate expression of a developing technocracy. It probably seems, in fact, as though the government as such and each minister individually are concerned to find the specific solutions that can be considered most advantageous from the technical standpoint with no particular concern for the ultimate goal, or "ideology." And to some people, that apparent conclusion may even taste as sweet as the nectar of the gods, considering how tired such people are, or think they are, of "politics."

Continuing in the realm of appearances, it would seem that the Cavaco Silva government has defined a set of problems, arranged them by order of priority or urgency, chosen strategies for coping with them, and applied for their solution formulas that a technician, who by definition has no interest in the political side of things, would have come up with. The result is that from the Ministry of Justice to the Ministry of Public Works, from the Ministry of Industry to the Ministry of Tourism, and from the Ministry of Housing to the Ministry of Finance, each minister seems to be trying to solve the problems--which, as is natural, are many and complex--with no special concern for the character which his measures may assume from a political point of view. That may be why some people, not much pleased with the technical or technocratic vision, react by harping on the lack of logic and consistency in those measures and on their insensitiveness or the lack of political preparation for them, thereby finding reasons to complain about the government.

But that is not really the way things are. And I am even of the opinion that, perhaps without being completely aware of it, Cavaco Silva's ministers and he himself (each in his own way, and not all with the same ability) are applying a political logic that underlies the apparently technocratic approach. But first it is probably appropriate to inform those in love with technology and fed up with politics of two things. First, the political dimension exists even when one pretends that it does not, and second, failure to classify policies by reference to a political policy is neither advantageous nor constructive, since it can only result in wastes of time, leaps in logic, and

chaos in the decisionmaking process--and that, too, is certainly the expression of a political policy, but one which is different because it is more incompetent in execution.

The thing that characterizes Cavaco Silva's political practice is an effort to build what I, with some linguistic boldness, would call a "dictatorship of consumerism." What I mean by this is that Cavaco Silva and his government have been trying to organize their activity with a view to handing political leadership over to those who can be described as "consumers"--and, to that end, trying to serve the interests of those consumers and increasing their powers. And that may be the great strength of the Cavaco political plan--as well as its major limitation.

I began by saying that the political actors in question are probably not completely aware of what I have just emphasized. That is natural, considering that governments are going badly when they think that theorizing about their political practice is an attribute of sovereignty, and in general, actors who try to explain a strategic line during every moment of their performance come off very badly indeed: they wind up getting the catcalls they deserve.

Cavaco's political plan is doubly alluring. First of all, because "consumers" are the largest social group in Portugal (if it is proper to define them that way), seeing that in one way or another, all voters are "consumers"--consumers of medical care, transportation services, banking and insurance services, food products, legal services, and police services. Giving "political leadership" to the "consumers" would therefore transform the bestowers of that leadership into a "legitimate vanguard of the consuming class," with everything that means in the way of guarantees of popular and electoral support.

Second, the "pro-consumer" focus is probably all the more welcome in that in one form or another, Portugal has been a society subject to the special treatment accorded the interests of the "producers."

This was true under the corporative system (guided entirely from the standpoint of production, with its theory concerning the regulation and control of conflict), it was equally true under the Revolutionary State (with its "Battle for Production" and its Stalinist production), and it has continued through the revolution's aftermath, which is, after all, the history of the past 10 years (meaning the policies for subsidizing firms and keeping unviable industrial units in operation to ensure jobs for the producers employed there, as well as labor legislation itself, union power, and the controls and limitations placed on agrarian property).

For those two reasons, it makes sense to have a political strategy whose coherence and ultimate goal call for winning over the consumers and granting them an advantage over producers during a historical phase in which, moreover, our entry into the EEC renders the organized fantasy in which we have been living unviable, particularly in the economic area and in the field of social security in the broad sense.



And there is no doubt that Cavaco's strategy is the one I have just summarized. A prime example is the relationship between the minister of health and the Order of Physicians. Rightly or wrongly, there is a strategy underlying that relationship, and it calls for giving "health consumers" precedence over "health producers." Incidentally, the idea has the attractiveness of things which are simple or which seem simple: it is that medical care exists for the patients, not for the health professionals.

But other examples could and can be mentioned: they range from the priority assigned to the fight against inflation to the closing of state-owned enterprises, from privatization to intransigence in the matter of wages in the public sector, and from the publication of lists of subsidies to the end--at least visibly--of the "blue bags" which for decades have constituted the means of engaging in politics in Portugal.

Cavaco Silva's popularity undoubtedly has something to do with the favorable international conditions and with the comparison between him and the previous prime minister. But it has to do above all with the theory behind the way he governs, which many consider demagogic and which, basically, constitutes the establishment of political dominance by "consumers": a "dictatorship of consumerism." That is the strength and the positive side of a strategy which is a political innovation in Portugal. The other side--the negative side--also exists, because that is how life is. It is, to explain the matter in a different way, the negative side of very high popularity, and it involves the weaknesses and limitations of "consumers" as the decisive political agent. I will write about that next week.

11798

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POLITICAL

PORTUGAL

COMMENTS ON AUTONOMOUS REGIONS' INSULARITY SENTIMENTS

Lisbon EXPRESSO in Portuguese 6 Sep 86 p 3

[Article by Jose Antonio Saraiva]

[Text] It is undeniable that Alberto Joao Jardim and Joao Bosco da Mota Amaral have done something for the populations of the islands which they govern. Furthermore, that endeavor has been acknowledged.

Whereas, on the continent, the voters as a rule express dissatisfaction with the governments that they have, and are often inclined to change a government and prime minister, in the Azores and Madeira there is widespread consensus regarding Joao Jardim and Mota Amaral who, after 10 years of exercising power, have virtually kept their electorates intact.

On the continent, 10 governments have been tried during the past 10 years; on the islands, one has been tried on each archipelago.

To be sure, this government stability is also associated with a certain amount of complicity that exists in Madeira and the Azores between the populations and their governments, based on the same anti-continental sentiment.

In other words, the island populations, instead of viewing their governments as something "alien" to them and responsible for all ills, see them as their allies in the battle against the "continentals' presumptuousness."

Obviously, this alliance must be constantly nurtured.

Thus, every time there is a discussion in Lisbon regarding an issue relating to them, Alberto Joao Jardim and Mota Amaral have to explain to their constituents that they have done everything to defend their rights. Moreover, they have to provide "public evidence" that this has occurred.

Hence, they are not afraid of the frequent, and sometimes violent criticism made of the central government by the island leaders.

Combined with this is also the fact that both Joao Jardim and Mota Amaral have some personal reasons for complaining about the continentals.

It should be recalled that both of them, whenever they were inclined to leave the islands and assume positions of responsibility in continental politics, were at times the victims of behind-the-scenes ploys and invariably ended up with added disappointments.

In fact, both Alberto Joao Jardim and Mota Amaral were bypassed for the candidacy for the presidency of the republic, or in the contest for PSD [Social Democratic Party] leadership. And this experience may have been even more painful for the latter, who always conveyed the impression that he was not taking part in the battles out of personal ambition, but only in response to the appeal of third persons.

Hence, the heads of the Atlantic island governments have reasons for harboring some resentment with respect to the continent.

And they would naturally be tempted to accept entirely (if not even to favor) certain feelings of animosity regarding the continentals present in Madeira and the Azores.

It so happens that this crusade has its reverse aspect.

In the past, there was no sense of antipathy on the continent concerning the islands; on the contrary, there was sympathy.

In the past, there was no colonial reflex on the continent concerning the islands; on the contrary, there was the idea that their inhabitants were complete citizens.

Today, however, there is a danger that the situation may change.

The continent may naturally tend to recoil from the anti-continental battle being waged by Alberto Joao Jardim and Mota Amaral.

This means that the autonomous regions, instead of gaining from the impulsiveness of which their two leaders are currently showing signs, may find themselves harmed.

2909

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POLITICAL

PORTUGAL

AZORES ISSUE: POLL FINDS MAJORITY REJECTING TWO FLAGS

Lisbon EXPRESSO in Portuguese 6 Sep 86 p 1

[Text] Over two thirds of Portuguese are opposed to the proposal for making the honors accorded on the Azores archipelago to the national and Azorean flags and anthems equivalent. A poll taken by the EXPRESSO/Euroexpansion Panel between 1 and 4 September among a sample of 602 persons queried, representing the continent's electorate, has disclosed that only 31 percent agree with the proposal, as opposed to 69 percent who express their disagreement with the terms of the bill vetoed by the president of the republic.

Moreover, 91 percent of Portuguese condemn Mota Amaral's position of absenting himself from the Azores at the time that the president of the republic was beginning his trip there on the school-ship "Sagres." This position assumed by the regional government of the Azores, which arose following Brigadier Gen Rocha Vieira's appointment as minister of the republic in the Azores, has been widely criticized by all sectors of the electorate. The backers of PS [Socialist Party] (94 percent) and APU [United People's Alliance] (93 percent) are the most critical; but the Social Democratic voters from Mota Amaral's own party clearly reproach his action (there are 84 percent negative opinions). Whereas, on the continental level, the Azorean leader recorded 9 percent support for his position, the favorable opinions increased slightly in the northern section of the country and in the urban areas.

As for the conflict aroused by the honors to be accorded the Azorean and national symbols, it should be noted that the CDS [Social Democratic Center Party] and APU voters were the greatest opponents of the proposal originating in the Azores, as were the inhabitants of Greater Lisbon. The PRD [Democratic Renewal Party] voters and the inhabitants of Greater Porto appeared more attuned to the ambitions of the Azorean politicians who wanted to see the Portuguese and Azorean flags and anthems on the same level.

2909

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POLITICAL

SPAIN

## SHAKEUP REPORTED IN POPULAR ALLIANCE LEADERSHIP

### Fraga Appoints New Secretary General

Madrid DIARIO 16 in Spanish 3 Sep 86 p 5

[Article by Carlos Davila]

[Text] Madrid—Manuel Fraga, the president of Popular Alliance (AP), gave the party's then secretary general, Jorge Verstrynge, the chance to resign the day before yesterday. "Otherwise," Fraga told him, "you will be dismissed." Verstrynge refused to voluntarily submit his resignation, told Fraga of his decision to accept dismissal in any event and assured the president that he had in fact lost confidence in his political agenda and even in his leadership.

At the extremely brief press conference that Fraga reluctantly gave after the informal swearing in of the new secretary general, Alberto Ruiz-Gallardon, Fraga said that he "had not ousted anyone" and that it was simply a closed operation in which "an individual was being placed in the great reserves of a major national political force in service to Spain."

Verstrynge and the new secretary general, Ruiz-Gallardon, who read an extremely brief message accepting the party president's appointment, had left the room in which the transfer of powers took place. Verstrynge told Fraga that he intended to remain silent for 30 days, unless, one of his colleagues suggested, he is attacked by one of the mass media.

### Power Struggle

Yesterday morning, Fraga personally telephoned the party's main leaders and told them of his decision. Of the four vice presidents, only Fernando Suarez showed up at the appointment with Fraga. The rest (Osorio, Herrero and Fernandez Albor) were absent for various reasons. Osorio, who was in Madrid, declined to attend; Herrero, who was in Asturias, did not feel that his return was in order, and Fernandez Albor, the president of the Board of Galicia, had hearings to attend yesterday.

Suarez, who remained smiling at all times, privately called on reporters to "support" the party at this extremely important juncture. Osorio, who



declined yesterday to make any sort of formal statement, simply felt that what has been regarded as the "catalyst" of the crisis and of Verstrynge's dismissal (the request that Fraga run for mayor of Madrid) "was not a trap; it was, in fact, quite the opposite." Osorio has been contending that all of AP's problems are actually a manifestation of a genuine struggle for power in the party.

Oddly enough, sources in the other faction that backs Fraga are of the same opinion. They say that the party's crisis began at its most recent congress and with the controversy over the open or closed slates.

The main proponent of the open slates was Fernandez Suarez, however, who has nevertheless come out against Fraga heading the municipal slates for city hall in Spain's capital. In other words, in this most recent controversy, which was the catalyst of the crisis, one of the members of the conventionally "critical" faction has taken a different stand from the one that Verstrynge himself, Osorio, Olarra (whom Fraga has disavowed) or the president in Madrid, Dr Carlos Ruiz Soto, have taken.

Fraga intervened yesterday towards the end of the dispute, but did not clarify once and for all whether he would run for mayor. Fraga skirted the issue with the following illustrative remark: "I'm not a candidate for candidacy."

The remark, which sounds simple, is not. Fraga has sought to influence the intentions of the people who want him to run, since he agrees with the most loyal members of his team that Osorio, the first one to propose that he run, Olarra and Ruiz Soto, backed by Verstrynge, are actually trying to lessen the president's power by making him mayor of Madrid, a post that demands the utmost political attention. Yesterday's comment by a member of the AP leadership was not an idle one, quite the contrary: "Inspired by 'Operation Chirac,' they want to undertake 'Operation Tierno.'"

#### The Decision

Both factions, the apparent winners at this juncture and the theoretical losers, place the start of the crisis at the party's most recent congress and, in fact, go even further: they claim that before he left on vacation, Fraga had already decided to fire Verstrynge. Fraga described the crisis thus at the meeting of AP presidents in late July: "I now know who the traitors are" and he mentioned three provincial presidents. Yesterday, no sooner had the secretary general's dismissal been made known than the AP president in Malaga resigned; like Verstrynge, he had recently questioned not only AP's policies but also Fraga's very leadership of the party. This president had supported Verstrynge's call for a "collective leadership" in AP.

A meeting of the AP Board of Directors has been called for Tuesday, the same day that a meeting of the party's Executive Committee had been scheduled. Powers that the bylaws vest only in the national president have been erroneously attributed to this committee, such as appointing and firing party officers. The bylaws, the position paper on which the new secretary general defended at the recent congress, state that the president will fill positions of his confidence from among the members of the Executive Committee who

receive the most votes. After the congress Verstrynge had many fewer votes than the AP officers with the highest number of positive votes, such as Fernandez Albor and Miguel Herrero, who have apparently remained untouched by the crisis.

#### Colleagues

Nevertheless, prominent members of the party bloc in the Congress of Deputies, which is headed by Miguel Herrero, have expressed support for Verstrynge's removal. Two of them, Aznar and Rato, are assistant secretaries general of AP, and another, Jose Ramon Calero, a deputy from Murcia, was responsible for that region but submitted his letter of resignation because he was clearly incompatible with the now former secretary general. Calero will apparently return to his post now under Ruiz-Gallardon. Furthermore, Calero was Verstrynge's main opponent in the party's first crisis, when some in the parliamentary group asked Fraga to replace the party's secretary general.

#### AP Membership Supports Fraga

Madrid EL PAIS in Spanish 10 Sep 86 p 12

[Text] Madrid--The National Board of Directors of AP yesterday reaffirmed its support for the party's president, Manuel Fraga, by a show-of-hands vote of 206 in favor and 4 abstentions. The fact that this vote of confidence was not conducted secretly prompted the former AP secretary general, Jorge Verstrynge, who was fired last week, Luis Olarra, Gabriel Camunas and Antonio Fernandez Jurado, the AP president in Huelva, to leave the hall. Carlos Manglano, the conservative party's deputy and vice president in Valencia, left shortly before the vote was taken.

The motion was presented by the AP president in Burgos, Vicente Mateos, at the start of the meeting at 1700 hours, but it was not put to a vote until 3 hours later.

A total of 206 members of the National Board of Directors voted for the five-point motion, whose last point called for support for Fraga. "The National Board of Directors expresses its staunchest and most categorical support for the president of AP, Manuel Fraga, the founder and leader of our political force and its candidate for the post of prime minister, in continuing to guide it towards the consolidation of a Center-Right political choice for all Spaniards."

The meeting began amid some degree of tension, given the criticisms that Luis Olarra and Carlos Manglano, the AP vice president in Valencia, had voiced that day. The magazine EPOCA reported Olarra as saying that "the Right cannot win with Fraga." Carlos Manglano ventured to predict that the scheduled vote of support for Fraga would not take place. "If he calls for a vote, he has a lot more to lose than to gain, inasmuch as many of us will call for a secret ballot, not a show of hands, which entails coercion," Manglano said.

He was quite wrong, inasmuch as the vote was by a show of hands. Moments before it was taken, Jorge Verstrynge asked for the floor "over a point of

order" to request that the vote be a secret ballot. His call was rejected with the argument that "in a public assembly" each person's position ought to be known. The former secretary general then stated that "for 10 years I have been teaching my students in the Political Science Department that a vote does not have democratic legitimacy unless it is secret." He therefore left the hall. He was followed by Luis Olarra, Gabriel Camunas and Antonio Fernandez Jurado, the AP president in Huelva. Carlos Manglano had left the hall before the vote was taken. Members of the AP leadership who had hitherto been regarded as critical, such as Fernando Suarez and Alfonso Osorio, remained in the hall. In addition to its backing for Fraga, the motion called on AP activists to close ranks around the party and to rekindle their enthusiasm to achieve success at upcoming electoral contests.

The motion calls for "the utmost cooperation and dedication and renewed personal and financial efforts from all activists and sympathizers to help the party." It also appeals to all AP organizations for "enthusiastic efforts in their work, the utmost openness to all social problems, particular initiative in winning over supporters and maximum unity." In the motion the party tells the Spanish people that it is determined to help "surmount the security and law and order crisis besetting the nation" and proposes a new drive to combat terrorism, drugs, controlled schooling and the erosion of the family." In two lines it expresses appreciation for "the dedication and efforts" of the previous secretary general, Jorge Verstrynge, and conveys "the utmost encouragement and firm reassurance to the new secretary general, Alberto Ruiz-Gallardon."

8743

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POLITICAL

SPAIN

PDP, CDS VIE FOR THIRD SPOT BEHIND PSOE, AP

Madrid EL PAIS in Spanish 4 Sep 86 p 13

[Article by Fernando Jauregui]

[Text] Madrid—Christian Democrats and followers of Suarez have resumed their quiet battle for the number three spot on the national political party spectrum. The leaders of both Oscar Alzaga's People's Democratic Party (PDP) and of Adolfo Suarez' Democratic and Social Center (CDS) are convinced that their groups can take over the political Center at the forthcoming municipal and autonomous-community elections in June 1987. "It is from the Center that a real alternative to the PSOE can be built, not from the Right," Alzaga said yesterday. His followers could not conceal their delight over the recent signs of crisis in Popular Alliance.

Alzaga yesterday inaugurated a political course of action that will be of far-reaching importance for his party, at a press conference at which he asserted that the only strategy that Christian Democrats are now following is to run alone in next spring's elections. Alzaga had this to say about the elections: "We are going to put out a very wideranging call to broaden the PDP as the major centrist party."

A high-level Christian Democrat leader admitted yesterday that "the only choice" in the forthcoming elections (which the PDP will begin to prepare for this weekend, with a meeting of its 32 members of parliament) would be to vie for the Center-Left with Suarez' CDS. To this end, the PDP will, among other things, repeatedly attack the "less progressive" aspects of PSOE economic policy.

Jose Ramon Caso, the secretary general of the CDS, yesterday described as "a joke" any comparison of his party to the PDP, which is caught up in "an inviable operation."

Alternative to Socialism

The CDS, which will hold its national congress on the 13th and 14th of this month, feels that the elections in the spring of 1987 will help to consolidate the party as the number three political force in the short run and as the

alternative to socialism in the medium term, given the wear and tear that Popular Alliance will foreseeably experience in the months to come.

"AP has the machinery to run in 6,000 municipalities at the next election," said Caso, "but the UCD was theoretically the numerical winner in the 1983 municipal elections and we saw what happened shortly thereafter."

Among other things, the CDS seeks to become the indispensable opposite number of the PSOE in at least 5 of the 13 autonomous communities that will be up for grabs next June.

"If the PSOE wants to govern in many autonomous communities and in many municipalities, it will have no choice but to come to terms with us," said a CDS leader. He cautioned, however, that his party would not commit itself to comprehensive post-election pacts; instead, it will try to force through agreements "municipality by municipality, province by province, and community by community, without in principle excluding anyone. In some spots we could reach agreements with the PSOE, in others with AP, and in still others with United Left."

#### Their Own Slates

Like the PDP, the CDS will present its own slates in the 13 autonomous communities and is confident of running candidates in some 3,000 of the 9,000 Spanish municipalities in all. It will be up to the party's national congress, however, to be held in a week, to decide on more specific courses of action and on the ideal candidates, as well as on other crucial issues, among them the continued presence of Jose Ramon Caso as secretary general.

For their part, the Christian Democrats will hold their national congress this December, and from it are expected to emerge the names of the presidential candidates in the 13 autonomous communities and the mayoral candidates in our major cities. Neither the PDP nor the CDS seem willing to turn the battle for the mayor's office in Madrid into a sort of presidential election by running their top leaders. The Suarez people and the Christian Democrats say that they will carry on active work in Parliament, and both Suarez and Alzaga will try to make people forget their meager activity in the Congress of Deputies this past legislative session.

8743

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ECONOMIC

GREECE

# SPECTRUM OF ECONOMIC RELATIONS WITH USSR REVIEWED

## Difficulties Detailed

Athens TO VIMA in Greek 24 Aug 86 pp 6-7

[Article by Giannis Kartalis: "Critical Juncture in Economic Relations With the Soviet Union"]

[Text] Tomorrow's meeting of the Mixed Inter-Governmental Committee in Moscow will be crucial to future Greek-Soviet economic relations since new, important developments have risen in the course of these relations. This meeting will be mainly occupied with the refusal of the Soviets to cover part of the cost for the supply of oil to Greece by purchasing Greek products.

The Greek government pays particular importance to this meeting. Heading the 25-member Greek delegation will be National Economy Deputy Minister Giannos Papandoniou. Indicative of the difficulties that have risen is that this meeting takes place following two postponements. It was originally scheduled for 16 June but the Soviets asked that it be postponed to 21 July "due to difficulties that have risen." It was finally decided to hold the meeting tomorrow.

This is the fifth meeting of the Mixed Inter-Governmental Committee, which meets alternatively in Athens and Moscow on the basis of the agreement-framework for economic and industrial cooperation signed in December 1980. This agreement, implementation of which began in 1982, provides for the development of cooperation between Greek government agencies and companies and appropriate Soviet agencies in the industrial, agricultural, trade and technological sectors.

The singular aspect in Greek-Soviet trade relations is that the Greek trade balance shows a deficit. It suffices to state that the ratio in exports is 4.5 to 1 in favor of the Soviets. Specifically, the picture in the Greek-Soviet trade balance is shown in the table on the following page.

### The Greek-Soviet Trade Balance

	1980	1981	1982	1983	1984	1985
Greek Imports	138	330	217	246	504	532
Greek Exports	<u>90</u>	<u>74</u>	<u>141</u>	<u>142</u>	<u>121</u>	<u>142</u>
Trade Balance	-48	-256	-76	-104	-383	-390

Cost for Oil and Oil Product Imports Included  
in the Above Amounts (in Million Dollars)

	1980	1981	1982	1983	1984	1985
	69	236	139	130	353	455

It is easy to see that the immense deficit is due mainly to the import of large quantities of Soviet oil. The Greek government has repeatedly tried to persuade the Soviets to use part of the money advanced to them for the purchase of Greek products, but the Soviets stubbornly refuse to do so and demand that payments be made in hard exchange. However, the fact that the Soviets are committed to transporting with Greek ships 50 percent of their exported oil to Greece is considered a success for the Greek side.

The question of alumina has also created a serious problem. As is known, in September 1985 an agreement was signed in Athens with the Soviets for the construction of an alumina plant in Greece. A contract was also signed for the purchase [by the Soviets] of 380,000 tons of alumina for 10 years. Bulgaria also expressed a desire to purchase 200,000 tons of the total annual production of 600,000 tons.

Since then, however, Bulgaria has retracted its promise and the question of the 200,000 tons remains unresolved. It should be noted that the alumina plant is of immense importance since it represents an investment of 450 million dollars.

The Soviet Union showed interest in these 200,000 tons but proposed that their purchase be offset by part of the cost of natural gas Greece is about to buy from it. The problem, however, is that negotiations for this purchase are advancing at a slow pace. The Greek side counter proposed that repayment of the additional 200,000 tons be made with aluminum products produced through the purchase of the additional quantity of alumina. But the Soviets insist on linking the 200,000 tons with the export of natural gas. Moreover, they recently expressed their concern that construction of the alumina factory may eventually not be realized if there is no possibility of selling the 200,000 extra tons.

The question of natural gas was first brought up in October 1979 when then Premier Karamanlis visited Moscow. In April 1982 a Greek delegation to Moscow conducted exploratory talks on the possibility of procuring natural

gas through Romania and Bulgaria. In December 1985 an agreement was signed in Moscow which stated that the Soviets would start supplying Greece with natural gas in 1989 for a period of 25 years and would eventually reach an annual volume of 2 billion cubic meters. The Soviets stated that income from the sale of natural gas would mainly be used for the purchase of Greek products. But the unusual thing now is that the Soviets deny this arrangement and as of this moment, they refuse to increase imports of Greek products.

It is noteworthy that in 1985 Greek exports to the Soviet Union did not exceed 140 million rubles while the Soviets were committed to buy products valued at 170 million rubles. As a matter of fact, the Greeks aim at also exporting in 1986 steel products in order to reach the target of 250 million rubles.

Besides oil, Greece imports from the Soviet Union ammonia, hydrocarbon products, lumber, mineral coal, electrical energy, machinery, automobiles, etc., and exports to the Soviet Union citrus fruits, raisins, cotton fabrics, olive oil, olives, shoes and fruit juices.

At last year's meeting of the mixed committee, the Greeks pointed out that a percentage of progressive increases from year to year should be established so that a balance from the increase in the supply of Soviet oil could be achieved. It was also agreed that there should be an increase by 30-40 percent in the value of 1986 Greek exports to the Soviet Union. But now the Soviets are advancing various excuses in order to avoid the commitment they made to buy more Greek products.

Soviet Foreign Trade Deputy Minister Nikolai Komarov (who tomorrow will head the Soviet delegation) recently told Greek Ambassador I. Grigoriadis that possibilities for imports by his country are smaller this year due to the drop in revenue as a result of the drop in oil prices.

Indicative of the situation that tends to develop is the fact that statistics show a considerable decrease in the rate increase of Greek products to the Soviet Union for the first months of 1986. Particular difficulties appear in exporting some products--mainly tobacco, cotton, ready made clothes and fabrics. The Soviets notified Greece that prospects for buying tobacco and cotton are minimal due to the Soviet increase in production of these products. In fact, they also stopped importing these two items from Bulgaria.

In the meantime, other problems have developed concerning absorption of Greek industrial products by the Soviet Union. In February 1983, when Soviet Premier Tihonov visited Athens, a long-term program was signed for economic, industrial, and scientific-technological cooperation which would aim at broadening exports of Greek industrial products, as well as exports of such items as home appliances, furniture, tile, pipes, etc.

The Soviets now seem to condition purchase of these products on the outcome of the natural gas issue. They feel that by not solving this issue "opportunities for Greek exports are being lost," since the Soviet Union is ready to put into effect counter-balancing purchases of Greek products of the same value.

Another important subject to be discussed in Moscow is the proposal made by the Greek Construction Company of Technical Projects concerning the construction of hotel units in the Soviet Union. The proposal had been discussed during Premier Papandreou's visit to Moscow and the Soviets had promised to study it. But they did not bring up the matter again and the Greeks were informed that Czechoslovak and Finnish companies were about to undertake the construction of the hotel complex on the Black Sea.

It is peculiar that the specific Greek proposal for construction of a 1,000-bed hotel in Moscow is still pending. The Soviets say that yes, the need for such a hotel exists, but no appropriations exist for the project and will not exist until the middle of 1986.

With regard to the hotel question, Ambassador Grigoriadis had a meeting about a month ago with Intourist Committee Chairman Konovalov to whom he expressed the Greek government's disappointment for the delay in reaching a decision. Konovalov responded that hotel construction is not a small matter and that construction of every new hotel constitutes an important investment and, therefore, the matter needs special attention.

However, it seems the Soviets have not yet reached a final decision as to how they will finally cooperate with foreign companies for hotel construction. It could be that they consider the possibility of building hotels themselves. Any way, it is expected that the relevant Soviet intentions will be made clear at the Moscow meeting.

Certain difficulties have also risen concerning the question of repairing and building Soviet ships in Greek shipyards even though overall maritime cooperation between the two countries is developing in a favorable way. Soviet ship repairs in 1984 yielded 6 million dollars and it is anticipated that in the next 3 years the corresponding amounts will reach 20 million dollars annually.

Greece is first among foreign countries in ships chartered for transporting Soviet cargoes to and from Soviet ports. Moreover, during A. Papandreou's visit to Moscow an aide memoire was signed providing cooperation in the maritime sector, especially in areas concerning education, transportation, repairs and construction of Soviet ships in Greece, as well as cooperation in international maritime organizations wherever possible.

In Moscow also, it was agreed in principle to have 4 Soviet refrigerated ships built at the Skaramangas Shipyards at a cost of 65.6 million dollars. Now again, the Soviets seem to condition any further orders for ships on counter balances in the event of natural gas procurement.



At the same time the Soviets think the Greek shipyards could get more orders if they adjusted their charges to those of competitive countries (Malta, France, Spain, and Portugal). They claim that the Soviet company Sudoimport recently sent two ships to Italian shipyards for repairs at a cost of 760,000 and 860,000 rubles because the Greek shipyards, from which it originally asked for bids, evaluated the cost for such repairs at 1.02 and 1.1 million rubles, respectively.

At any rate, the issue of maritime cooperation will also be discussed when Merchant Marine Minister St. Alexandris visits Moscow on 8 September. At that time the eighth meeting of the regular inter-ministerial commercial maritime committee will take place as the 1975 Greek-Soviet maritime agreement provides.

At the Moscow meeting the Greeks intend to renew an old request for establishing Moscow offices for ITCO, the Greek Agricultural Products Export Company [AGREX] and the Hellenic Organization of Medium- and Small-Size Enterprises and Handicrafts [EOMEX]. This request was not accepted by the Soviet authorities, while on the contrary, the Greek government accepted the Soviets' request to establish in Athens an office of the Soviet State Committee for Foreign Economic Relations.

On their side the Soviets are expected to raise the question of increasing exports of Soviet machinery to Greece where they feel they have started losing some ground. As a superpower, the Soviet Union believes its exports to other countries cannot be limited only to raw materials but also to industrial products. According to data cited by the Soviets, in 1985 exports of Soviet-made machinery to Greece was valued at 84 million rubles compared to 184 million rubles in 1984, while up until now, the 1986 contracts amount to only 13 million rubles.

According to the Soviets this development, coupled with the losses from lower oil prices, creates a problem in financing imports from Greece. They believe there exist two important impediments for increasing exports of Soviet machinery to Greece: the Greek demand for submitting proposals in drachmas instead of dollars and the Greek technical specifications which cover only known Western machinery.

Besides Deputy Minister Papandoniou and officials of the National Economy Ministry, the Greek delegation, which leaves for Moscow tomorrow, includes representatives of the Foreign, Agriculture, Industry, Trade, Energy, and Technology Ministries, as well as representatives of the Hellenic Industrial Development Bank [ETVA], AGREX, ITCO, EOMEX, ELVA [as published], the Elevisis Shipyards, the Greek Shipyards, and the Public Petroleum Corporation. Composition of this delegation shows the extent of the issues to be discussed and the importance the Greek government renders to this meeting for further promoting Greek-Soviet economic relations.



## Hopes Wane for Alumina Project

Athens TO VIMA in Greek 24 Aug 86 p 6

[Article by G. Kraloglou: "The Plan for Alumina Fails"]

[Text] The beginning of the end of the ambitious program of state alumina or the start of a new cycle of adventure for this state initiative will be the result of the discussions of the fifth meeting of the Greek-Soviet Inter-Governmental Committee for economic cooperation which opens tomorrow night in Moscow and end next Friday.

With this thought--which deeply concerns those preoccupied with the alumina affair--will be traveling tomorrow noon to Moscow National Economy Deputy Minister G. Papandoniou, as head of the delegation, ETVA Governor K. Sofoulis as president of the Greek Alumina Company (of the company, that is, which will manage the complex--if it is established), P. Kyriakopoulos, president of the Association of Mining Enterprises, as representative of the miners, and other government officials.

Besides the formal diplomatic optimism, nothing prejudices that the Moscow discussions will have positive results as concerns the state alumina plant--the fate of which is already sealed.

The government, with Deputy Industry Minister Vaso Papandreou at the forefront, has decided to end the development of the project if the absorption of the plant's whole production of 600,000 tons is not first ensured. This decision (on which Vaso Papandreou is unyielding) was taken following evaluation of the situation after the Bulgarians again reneged on their original agreement to buy 200,000 tons of the plant's production with 400,000 tons going to the Soviet Union (on the basis of a relevant agreement).

### Explanation of the Bulgarian Refusal

Of course it must be noted that the Bulgarians do not agree they have reneged. As a matter of fact, in a letter to National Economy Deputy Minister G. Papandoniou they explain that their refusal to sign the agreement is due to the fact that the Greek government has not promoted the various programs of cooperation in joint investments and purchases of Bulgarian products.

However, the Greek authorities believe that Bulgaria's present economic situation, coupled with its weakness to cover 50 percent of the alumina value in foreign exchange (as originally agreed) is the main reason for reneging and that the reasons cited by the Bulgarians are "formal diplomatic excuses." Thus, there is no hope whatever on the part of government authorities and other administrative officials in revitalizing Sofia's interest.

For this reason all attention turns to Moscow. If, indeed, the Soviets buy--as **it appears**--the 200,000 tons which remain as an undisposed quantity

then all can change concerning the alumina project. But, the question remains: "Have the Soviets reason to buy more Greek alumina?"

Evaluation of the same officials show that the Soviets have no trade concern at all for buying the 200,000 tons. Thus, what remains now is to combine this concern with any other possible agreements they can reach with the Greek government. However, the difficulties arise from now on, since the Soviets want:

--To sell to Greece natural gas through installations the government must construct and for which the Soviets offer their cooperation.

--To undertake establishment of a factory for stainless steel.

--To provide Greece with the necessary equipment for the Thisavros and Ag. Dimitrios energy stations.

--To cover the needs of Athens and Piraeus with [electric] trolley cars.

--To have the Greeks change their policy of asking bids in drachmas in contests concerning offers by the Soviet Union.

--To increase the Greek volume of purchases of Soviet goods.

--To have the Greeks accept the view that the fall in oil prices increased the inability of the Soviet Union to pay in exchange.

--To have the Greek government increase the quantities of oil it imports from the Soviet Union.

Before such Soviet demands the Greek government authorities and administrative officials find themselves in a difficult situation since:

--They have no reason to increase imports from the Soviet Union when the oil market presents a still greater opportunity for purchases at low prices.

--The Greek budget cannot withstand establishment of natural gas installations. Many economic ministers and technocrats have branded such installations as "a luxurious project without substantial yield."

--The government has no reason to undertake one more ailing industry such as the proposal for stainless steel by consolidating this unit with Larko or other ailing industries (according to a recent statement by Vaso Papandreou).

--The Greeks have no reason to treat the Soviet bids in procurement contests differently since this will be at the expense of public investments.

Thus, the question rises: "What will be those provisions of the agreement which, when evaluated together, will lead the Soviets to the decision to

accept purchase of 200,000 tons of alumina (when they certainly have no particular need for their production)?"

Therefore, the most probable development will be the signing of some joint announcement which will express the desire for cooperation and the whole issue will be referred to committees for study. This will be so, because those directly interested in the alumina plant--the Greek Alumina Company and ETVA's Governor Sofoulis, do not want and do not have any reason, moreover, to take the decision for abandoning this ambitious state program.

The same "wishes" will be expressed for the stainless steel complex which will also follow the fate of the alumina plant, since it is more than certain that the government is not about to spend money "for establishing a unit of doubtful success and desired only by the technocrats," according to a high government source.

#### State Investments

The alumina and stainless steel affair brings fatefully to light the overall network of state initiatives for industrial investments, among which stand out (besides the above investments) the Metva sulphur condensation unit, the lignite gas unit, the potassium silicate unit, and, finally, the most important investment of the ELVIL [as published] telecommunications material. There are many today who argue that the whole issue is "frozen". The Metva project seems to have the same fate, as does the story of lignite gas and all related planning of advisers and technocrats of the Economic and Industry Ministries of recent years.

#### Exports to USSR

Athens TA NEA in Greek 30 Aug 86 p 18

[Text] Trade Minister G. Katsifaras and Foreign Trade Special Secretary Th. Bellias announced yesterday that the Soviet Union will buy from our country 100,000 tons of wheat, 100,000 tons of maize, other agricultural and industrial products, and other items which are not included in the traditional trade exchanges of the two countries. These purchases will have a total value of 35 million dollars.

Among the industrial products to be exported to the Soviet Union are steel tubes, light industrial products, knitted items, shoes and cotton.

#### Details on Agreement With USSR

Athens TA NEA in Greek 30 Aug 86 p 18

[Text] The fifth meeting of the Greek-Soviet Inter-Governmental Committee ended yesterday in Moscow. An aide memoire was signed as well as the timetable for the 1986-88 activities for implementing the "Long-Term Program

for Development of Economic, Industrial, Scientific and Technological Cooperation," which was signed by the premiers of the two countries in 1983.

National Economy Deputy Minister G. Papandoniou headed the Greek delegation while Alternate Foreign Trade Minister N. D. Komarov headed the Soviet delegation. The issues discussed were particularly important. It should also be taken into consideration that the delegations met at a period when the exchange revenues of the Soviet Union dropped because of the decrease in the price of oil, a fact which has created problems for Greek exports. Yesterday's announcement included the following:

--The Soviets agreed to the Greek request to redefine quantities of exports of Greek products with an aim at maintaining the volume of Greek exports at the 1985 level which was the highest ever.

More specifically, it was agreed to export to the USSR by the end of 1986, 100,000 tons of hard wheat, 100,000 tons of maize, 4,000 tons of olive oil, 10,000 tons of pipe, as well as other products--olives, knitted products, shoes and cotton.

In addition, Greek exporters were assured of the possibility of submitting proposals for exporting new products to the USSR. It is estimated that the value of the above products exceeds 35 million dollars.

It was also agreed to assume new initiatives for exploring the spectrum of traded products with an aim at increasing the trade transactions on a long-term basis. By the end of 1986 exported Greek products of broad consumption will be determined and a 3-year (1987-89) Program of Exports of Greek Products to the USSR will be prepared.

--The meeting achieved important progress in clarifying the conditions of cooperation on three large projects: alumina, natural gas, and stainless steel. Specifically:

a. Alumina: The Greeks asked the Soviet Union to buy the additional quantity of 200,000 tons in order to ensure the economic viability of the project and to speed up the plant's construction. The Soviets accepted this request and an order was given to the appropriate enterprises and agencies to complete the relevant negotiations by the end of October 1986. Thus, favorable conditions have been created for the realization of this large investment.

b. Natural gas: The two sides agreed to complete by the end of 1987 their negotiations in order to make possible the adoption of a final decision concerning the question of supply of Soviet natural gas in a way profitable to both sides. The Greeks pointed out that the making of such a decision pre-assumes an agreement on counter balancing (cost being offset by purchases).

c. Stainless steel: Given that such an investment has not yet been decided on by the Greeks, it was decided to continue exploratory discussions on the

possibilities of cooperation in establishing in Greece a plant for producing stainless steel and exporting part of the production to the USSR.

The two sides expressed their satisfaction for the construction of four refrigerated ships by the Greek Shipyards. The Soviet side accepted the Greek proposal for an increase in the repairs of Soviet ships and for exploring the possibility of new orders for building ships by Greek shipyards.

The two parties also discussed promoting cooperation in a number of other sectors such as agriculture, hotel construction by Greek companies, and social insurance of repatriated Greek political refugees.

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ECONOMIC

NORWAY

GOVERNMENT STATISTICS OFFICE: EXPANSION AT END OF CYCLE

Oslo AFTENPOSTEN in Norwegian 27 Aug 86 p 33

[Article by Cecilie Norland]

[Text] Economic growth is leveling off in Norway. It appears that Norway has passed the peak of the economic upturn that began in 1983 and the outlook for 1987 indicates much weaker growth in private demand and zero growth in total investment. This information was provided by the Central Bureau of Statistics in its latest economic review.

Growth in Norway's Gross National Product fell substantially in the first half of this year compared to the same period last year. In spite of this the bureau predicted that the level of activity will remain high in the next few months and that the effects of the turn in the business cycle will not have their maximum impact before 1987. In the opinion of the bureau the reason for the weaker GNP growth is that demand in both the private and public sectors has declined, import growth has slowed somewhat and some branches have been handicapped by capacity problems.

Major elements of uncertainty with regard to future economic developments involve how much money people will save, how much wages will increase and how oil prices develop.

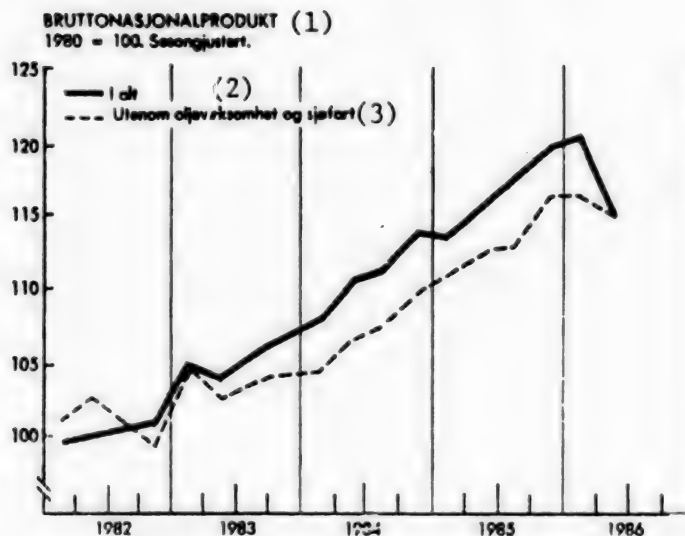
Weaker Growth

Growth in the area of private consumption has been strong for some time, but the Central Bureau of Statistics now believes it sees signs that this growth will moderate. Consumption will increase by around 4.5 percent from 1985 to 1986 and then: "For 1987 a very moderate growth in the area of private consumption should be expected," according to the bureau. It also noted that the rate of growth in the area of public consumption is now clearly lower than it was in 1985 and that the public consumption growth rate in 1986 could be the lowest it has been since 1960.

## Investment Declining

Investments in the oil industry could set a record in 1986, with an increase of 15 percent compared to last year. Next year, however, the bureau predicted a decline of close to 20 percent in investment volume.

Growth is still strong with regard to industrial investments in general, but even so it is weaker than it was last year. "We cannot count on any substantial growth in 1987," wrote the bureau which thinks that investments outside the oil and shipping sectors will make no contribution at all to the growth of GNP next year.



The diagram shows development trends in Norway's Gross National Product and provides clear signals that growth has leveled off both for "mainland" Norway and for the Norwegian economy as a whole. Source: Central Bureau of Statistics.

Key:

- |   |                                       |
|---|---------------------------------------|
| 1. Gross National Product<br>1980 = 100, seasonally<br>adjusted | 2. Total                              |
|   | 3. Minus oil industry and<br>shipping |

## Higher Price Increases

The trend for Norwegian exports could indicate a certain amount of upward development, but the degree of growth in the Norwegian export market is quite

uncertain because at this point it does not look as if the lower oil prices have led to increased growth as far as our most important trade partners are concerned.

Unemployment is still quite low, only 1.8 percent, but as production growth declines throughout 1987, employment growth will definitely be lower, the bureau wrote.

The Central Bureau of Statistics also made a sharp upward adjustment in its estimate of price increases. In February the bureau was anticipating a price increase of 4 percent this year; after the devaluation this figure was increased to an average level of 7 percent for the year, but it is expected that inflation will be much higher than that by the end of the year. The economic survey also suggested that wage growth will increase in the future.

#### Increased Deficit

Norway's foreign economy has deteriorated sharply. The deficit in the foreign operating balance could mount up to 16 billion kroner for the first half of this year and the bureau anticipates big deficits in the years ahead. The devaluation will make the foreign balance situation worse at first, but later it may help to improve it somewhat. Norway's disposable real income fell 6 percent from last year to this year, according to the bureau.

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CSO: 3639/154

ECONOMIC

NORWAY

**BANKERS' ASSOCIATION SEES CONTINUED NEED FOR STRONG AUSTERITY**

Oslo AFTENPOSTEN in Norwegian 27 Aug 86 p 33

[Text] "Even if economic development in 1987 is moderate it is as important as ever to implement austerity measures. The assessment of the Bankers' Association also points in the direction of weaker growth in 1987, but the level of activity is still high and seems likely to remain at a high level for some time to come," said Director Ingvar Strom of the Bankers' Association in a comment on the economic report from the Central Bureau of Statistics.

The Bankers' Association previously estimated that the government should save 3.4 billion kroner for 4 years in order to bring Norway into a position where budget and foreign balance deficits are manageable. Strom emphasized that wage and price growth is high, our competitiveness has weakened and borrowing demand is still extremely strong. He said the main strategy must be austerity in public budgets until it is quite clear that activity is showing a strong downward tendency.

Assistant Director General Jan Fredrik Qvigstad of the Norwegian Bank said in a comment that there is nothing new in the economic situation that would change the Norwegian Bank's recommendation for further austerity with the emphasis on fiscal policy, preferably on the spending side of the budget. He pointed out that the Central Bureau of Statistics itself said that activity will continue to be high in the time ahead and that the labor market will also be tight in 1987.

Assistant Professor Asbjorn Rodseth of Oslo University's Department of Economics said that most signs indicate that we are at a turning point and he anticipated weaker growth in both production and employment from now on. However he stressed that we should not be overpessimistic and pointed out that the labor market is still tight and that activity in some sectors has been so overheated that a little moderation would not be a bad thing.

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ECONOMIC

PORTUGAL

#### ESTIMATES POINT TO POSITIVE CURRENT ACCOUNTS BALANCE

Lisbon O JORNAL in Portuguese 29 Aug 86 p 4

[Text] The current transactions balance will show a positive figure of about \$1 billion by the end of the year, although the government had foreseen a negative balance of \$700 million.

This favorable present situation, independent of the intentions of the government and only seen as probable since March, is the result, the Ministry of Finance says, of the sharp increase in tourist income, the development of income from emigrants and the return of Portuguese capital exported in earlier years.

A Ministry of Finance report on the development of the situation in 1986 to which the ANOP had access says that the development of exports and imports of goods fell below the projections, but the trade and current transaction balances improved. The current transaction balance showed a surplus of \$209 million for the first 5 months of the year.

The Ministry of Finance predicted a real increase in investments of between 9 and 10 percent, in view of the results reported by the National Statistics Institute (INE) in the survey of the industrial situation for the second quarter of this year. The results of the survey, which have not yet been announced, point toward a rise in the industrial production index of 19 points, and 76 percent use of installed productive capacity in the processing industries (the best since 1973) and 79 percent for equipment goods (the best since 1981).

According to the Ministry of Finance, the consumer confidence index, established on the basis of 100 with reference to October 1980, reached its lowest value in June of 1984 (45), recovered to 67 in October of 1985, and rose rapidly between February and June of this year to 98.

With regard to inflation, the report notes "a sharp slowdown," with the present level at 11.2 percent, when measured in terms of homologous months, or 13.8 percent, in reference to the average variation in the past 12 months.

An indirect index of confidence in the economy to which the ministry refers is the number of stock transactions on the Lisbon stock market in the first half



of the year, which exceeded the figure for the same period in 1985 by 64 percent, with the average quotation up 45 percent.

The development of the foreign situation, with the joint decline in the dollar rate, oil prices and international interest rates, made a decisive contribution to these results.

It will be recalled that at the beginning of the year, when the state budget for 1986 was presented, government projections pointed to a high deficit of about \$700 million in the current transactions balance.

Last July, the Ministry of Finance projections pointed toward a positive balance of between \$600 and \$700 million, while the Bank of Portugal ventured \$840 million as its figure.

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CSO:3542/154

ECONOMIC

PORTUGAL

# ECONOMIC SITUATION ALLOWS INCREASED PENSION AMOUNTS

Lisbon DIARIO DE NOTICIAS in Portuguese 3 Sep 86 p 2

[Excerpt] The government has decided to effect a special update of the minimum amounts for disability and old-age pensions, involving increases of 14 to 45 percent, and also to update fishermen's pensions by amounts ranging between 26 and 129 percent. This measure will cover about 1,3 million Portuguese citizens and will become effective as of 1 September.

The pension increase was announced by the head of the executive branch at the conclusion of the meeting of the Council of Ministers yesterday. According to statements made by Cavaco Silva, the increases have been made possible by the "savings already achieved" and are the product of "strict management of public funds."

The government decided to increase pensions in particular for workers in the general system (those who are contributing to it), bearing in mind, where the special system for farm workers is concerned, the effort this sector has made as a contribution to social solidarity.

In this connection, the new amounts are as follows: \$10,000 (formerly \$6,900) as the minimum for disability and old-age pensions in the general system; \$7,500 (formerly \$5,900) for disability and old-age pensions in the special system for farm workers, and \$6,500, (formerly \$5,700) for disability and old-age pensions in the noncontributive and equivalent systems.

The new sums represent an increase of 45 percent for the general system, benefiting about half-a-million pensioners, and 27 percent for the special farm systems, benefiting an equal number. The smaller increase (only 14 percent) affects the noncontributive systems and will affect almost 300,000 pensioners.

The government also announced that these increases are merely intended "to compensate gradually for the cumulative reduction in the value of pensions which occurred up to 1985," such that it in no way compromises the intention of going ahead in the future with the annual revision designed to increase the current purchasing power of all pensioners, and not only those covered by the minimal changes.

#### Cost of New Pension Allocations

The changes which have now been decreed will involve an increase in state expenditures, according to government estimates, of about 9 million contos in the balance of this year, and will mean costs of about 26 million contos in 1987.

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CSO:3542/154

ECONOMIC

TURKEY

#### SHIPPING SECTOR PROBLEMS EXAMINED

Istanbul MILLIYET in Turkish 4 Jul 86 p 2

[Article by Mumtaz Soysal]

[Text] This year, the first of July was celebrated differently from past years. There were not only ceremonies, but meetings, symposiums, panels, and debates as well.

As in a number of other areas, the more the features of the shipping scene were talked about, the more apparent and understood it became that, in the end, the results achieved in the shipping sector and termed a great success are, in fact, nothing more than an unhealthy situation.

Perhaps the most interesting of the various speeches given at meetings organized by maritime workers, the Ministry of Communications, and shipping employers was that of the Turkish Maritime Union chairman.

Before everything else, his speech was interesting from this respect. Maritime workers, as all the people who work for a living, bore on their shoulders the burden of the economic model applied for six years. Everyone was or became willing to give up various rights, to work for wages that reduced their true purchasing power, and, in short, to participate in extremely severe self-denial in order to save the Turkish economy. The money and rights that were taken from those who work flowed to the private sector in the form of convenient credit and major state support.

And what was the result?

At first glance, the result was extremely spectacular. The Turkish maritime merchant fleet leapt from a total of a little over a million deadweight tons in 1980 to 6 million deadweight tons in 1986.

But, what kind of leap was it?

According to figures based on a scientific study conducted by the union chairman's Chamber of Maritime Trade and freely made public, the increase in tonnage was definitely not healthy and is deceptive. A fleet consisting primarily of foreign-made, aged ships cannot help but remain a fleet that transports goods within the country.

If we look a little closer we see that the growth in the fleet, which appears to have increased multifold from the standpoint of tonnage, was growth created by the addition of a few very large ships, and a large number of very small ships. Large dry-bulk carriers and liquid-fuel tankers make up 67 percent of the fleet's total tonnage. If you examine the figures, you see that these 132 ships equal only 17 percent of the total number of ships in the fleet. And nearly all of these ships are used to transport goods domestically rather than to engage in maritime trade in the true sense on the seas of the world, to carry goods from one party to another party. In other words, they transport petroleum and mineral ores which are obtained through state channels.

This is because it is not possible to compete head-to-head in international waters with these ships. Before long, all of them will be so old they will be sold to the "junk man" or for scrap. Do you know the average age of the fuel tankers in the Turkish maritime trade fleet? It is 24.8 years. This is the age tankers are normally used for scrap metal.

However, these can be considered young in comparison with the dry-bulk carriers that were brought to our country through foreign purchases. The average age of these 90 ships, which total approximately 360,000 deadweight tons, is 33.9 years.

The young ships in the fleet are very small coasters, which are built in this country and which are used primarily very close to the shore and generally to transport sand. You can see hundreds of small ships anchored at the sand depots at Zeytinburnu, loaded until they almost sink, and empty ones in front of Kumkapi.

Such a fleet causes native shipowners to engage in speculation, gambling with credit and cargo, rather than in serious maritime trade. Later, an owner sells one of his huge and clumsy ships because of the money games that are so easy to play, and the tonnage of the Turkish merchant fleet takes a great plunge, a fall of 300,000 tons, 400,000 tons.

It is impossible to engage in maritime trade in this manner, and Turkey cannot, from the standpoint of its own economy, hand over maritime trade entirely to such an unhealthy sector. Today, when there is plenty of talk about making state operations privately owned, the need to continue a mixed-economy structure in maritime trade is, once again, apparent. In addition to a private sector in which there are vast waves and unreliable developments, it is necessary to maintain state operations that are secure and reliable. In order to do so, you cannot sell state ships.

Let this be a lesson for other sectors as well.

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CSO: 3554/142



ECONOMIC

TURKEY

**BANKER SAYS BUSINESSMEN MUST DEVELOP LONG-TERM VIEW**

Istanbul MILLIYET in Turkish 5 Jul 86 p 4

[Article by Zulfikar Dogan]

[Text] Ankara -- Born in 1942 in Poland, Turkish expert Cengiz Israfil, whose father is a Turk from Azerbaijan, has lived in the United States for years. He graduated with a degree in mathematics from Columbia University in 1967 and began working for the Morgan Bank the same year. The Turkish expert, who works with municipal bonds, government securities, and money markets, also has a doctorate dissertation on economic development during the Ottoman era. Israfil has been a specialist with the Morgan Guaranty Trust for 19 years and has attained the post of vice-chairman.

Israfil is an expert who is one of Prime Minister Turgut Ozal's important resources for his "importation of ideas" from the United States to Turkey. Israfil, who has reached the status of vice-chairman of the renowned American financial institution, Morgan Guaranty Trust, holds a key position in two of Ozal's significant projects.

Israfil is closely connected with Turkey both because of the sales plan for the KIT [Public Economic Enterprises] drafted by Morgan and because he gives "basic advice" on the government's thoughts on a "gold exchange."

Israfil, who is an expert on the topic of gold, believes, in contrast to government officials, who consider him "wise," that "a gold exchange is not necessary."

Israfil states:

[1.] "The populace in Turkey has invested in gold for centuries. It will continue to take advantage of this possibility during the sale of the KIT.

[2.] "Between 1968 and 1983, 514.4 tons of gold were imported to Turkey by unofficial methods. This amounts to a then-current market value of \$1.9 billion. There is potential for investment, but this money is sheltered in gold.

[3.] "During a 3-year period when brokerages were at a peak, 41.4 tons of gold were exported from Turkey. This had a market value of \$658.5 million. At that time, the people abandoned gold and invested in other areas.

[4.] "Later, when income from interest fell, importation of gold resumed.

[5.] "During my investigations, I contacted dealers in gold. There is no gold exchange, but there is a gold market. I do not believe that conditions exist for a gold exchange. These transactions can even be conducted by telephone.

[6.] "The gold that is being imported is evidence that the masses possess money, because this type of investment cannot be made by those without money. There is capital in Turkey, but it is invested in passive areas. If a favorable environment were created, a capital market could develop, because capital exists.

[7.] "In order for this development to take place in Turkey, the state and, especially, high-level officials must alter their mentality. Too, in order to sell KIT shares, it is necessary to attract this gold to the market. There are a host of things in the Capital Market Law preventing this. They are, of course, political. It would not be correct for me to speak about them.

[8.] "It is also necessary for businessmen to change their thinking and their approach to investment. Turkish businessmen wish to profit immediately. Those you call businessmen must enter the market on a long-term basis. Calculations must be spread out over a long period of time. However, from what I have seen, Turkish businessmen do not have this mentality. They believe in quick profits."

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ECONOMIC

TURKEY

BRIEFS

**GOLBASI DAM BIDS OPEN--**Bursa (AA)--Bidding on the project to build a dam at the Golbasi Reservoir, located at the 20-km point on the Bursa-Ankara Highway, will take place in September. The Golbasi Reservoir was created in 1931 to prevent damage to the Bursa plain when the Aksu Stream flooded. DSI [State Hydraulic Affairs] First Region Directorate officials reported that the Golbasi Reservoir now holds 14 million cubic meters of water per year and irrigates 19,000 decarees of agricultural land. They stated that construction of the dam, which will be open for bids in September, will cost 12 billion liras at 1986 prices. The dam will hold 42 million cubic meters of water when completed. A regulator will be built near the village of Gozele for the purpose of providing an additional water supply for the dam and will cause the Delicay Brook to flow into the Aksu Stream. The amount of land in the area that can be irrigated will increase to 73,000 decarees. [Text] [Istanbul DUNYA in Turkish 4 Jul 86 p 4] 11673

**CONSORTIUM QUESTIONS PIPELINE CONTRACT--**A high-ranking official from Tekfen Construction Corporation, a partner of the Italian Saipem Consortium, which appears to have lost in the bidding on the Turkish-Soviet natural gas pipeline project, complained that negotiations were concluded within a very short period of time, saying, "Discussions of proposals for the second Iraqi pipeline lasted six months, and cost bids were requested three times. What has become the standard procedure for bidding was not followed, and we regard it as strange that a decision on proposals was made after the short period of two weeks." Meanwhile, the Tekfen Construction Corporation official stated that it is not correct to say that the Spie Capag Consortium, which includes the Enka Group, has definitely won the contract. He said that, if credit on which the proposal was based cannot be secured, the same opportunity will be given to the Saipem Group in the middle of this month. The Tekfen official pointed out that he believes that his proposal offers credit under more favorable terms. He noted that credit costs are not included in the Spie Capag Group's bid of \$292.3 million whereas they are in the Saipem Consortium's \$333.2-million-proposal. The official stated, "The figures do not exactly reflect costs. If evaluations of proposals had been made by reducing bids to the same base, it would have been seen that the prices we quoted are nearly at cost." [Text] [Istanbul DUNYA in Turkish 4 Jul 86 pp 1,9] 11673

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MILITARY

TURKEY

BRIEFS

ANTIAIRCRAFT ARTILLERY PRODUCTION--Ankara (AA)--The MKE [Machine and Chemical Industry] Organization will soon begin production on its first large military project. MKE officials reported that preparations for the transition to production have reached the final stage at the Cankiri Antiaircraft Installation, which has the distinction of carrying out the first defense project financed by the Defense Industry Support and Development Fund. Production will be underway within a month or two. At the first stage, the facilities will manufacture five 20-mm antiaircraft missiles. Later, they will produce 35-mm antiaircraft missiles. It was announced that the facilities, which have been established under the license of the Oerlikon Corporation, cost close to 41 billion liras and that a large percentage of the financing was provided by the defense industry fund. [Text] [Istanbul DUNYA in Turkish 4 Jul 86 p 9] 11673

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ENERGY

NORWAY

#### WORLD ANXIOUSLY VIEWING POSSIBLE NORWAY, OPEC ARRANGEMENT

Oslo AFTENPOSTEN in Norwegian 29 Aug 86 p 36

[Article by Morten Woldsdal]

[Text] Oil, shipping and financial circles around the world are waiting anxiously to see what concrete moves the Norwegian government will now make in relation to OPEC. Norwegian signals on cooperation with the organization have created high expectations in other countries. Interpretations of these signals--and speculation concerning what the Oslo government intends to do--are affecting oil prices, currency exchange rates, gold prices, stock prices and tanker rates around the world.

The international oil market is very nervous at this time. No one involved in the market wants to make firm predictions of oil price developments in the short term. They are all watching each other. Rumors, speculations and interpretations of various signals can also lead to oil price fluctuations that are sometimes quite large from one hour to the next.

When Prime Minister Gro Harlem Brundtland revealed earlier this week that the government will discuss the possibility of regulating Norwegian oil production with the oil companies, it led to an immediate increase in oil prices of 25 cents a barrel. And fluctuations in oil prices also affect the exchange rates of the pound, the krone and the dollar, gold prices and oil company quotations on the Oslo Stock Exchange and stock markets in other countries as well as having an impact on international shipping market developments.

#### International Attention

The world press is devoting a lot of space at this time to the way Norwegian authorities are handling the OPEC question. Rarely in the past have the eyes of so many foreign business people been turned toward "little" Norway. It is expected that the government will be ready early next week to tell OPEC and the rest of the world what Norway intends to do in concrete terms to help stabilize oil prices.



There are great expectations about what the government will say. Although the government has repeatedly made it clear that it is not considering a reduction in total Norwegian production--just a moderation of planned production increases--many people in other countries choose to regard the signals as an indication that Norway is considering a reduction in total oil production involving a substantial number of barrels a day. They will be disappointed when the government makes it clear once and for all that this is not the case.

#### Production Increase This Year

Norway's crude oil production is expected to increase by around 100,000 barrels a day by the end of the year as a result of the start of production at the Ula field, early production at Gullfaks and trial production at Oseberg. It is this increase that Norwegian authorities will probably try to check in the first round--by reducing existing production and/or asking the oil companies to postpone or limit production at the new fields. This could be done on a voluntary basis or it could be mandated in accordance with the new Petroleum Act.

If Norway checks production growth by a number of barrels a day, the action is unlikely to have any real impact on the market surplus. But a Norwegian decision to regulate production to check growth could have a big psychological effect in today's very nervous market situation.

#### Easier for OPEC

A Norwegian agreement to cooperate could make it easier for the 13 OPEC ministers to agree on more permanent production measures at their next meeting on 6 October. A definite positive response from industrialized Norway will lead several other oil countries outside the OPEC group to feel more committed to cooperation with the organization.

And if outside oil producers finally show a willingness to cooperate it will put even more pressure on the OPEC countries to reach agreement among themselves. For if the oil cartel is unable to put its own house in order in this kind of situation, it will never again be able to blame other countries for declining oil prices.

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ENERGY

NORWAY

# STATOIL PROFITS DOWN 50 PERCENT FOR FIRST 6 MONTHS

Oslo AFTENPOSTEN in Norwegian 28 Aug 86 p 45

[Text] Stavanger, 27 Aug—The Statoil concern's profits before adjustments were exactly 3 billion kroner for the first 6 months of the year, half of what they were in the same period last year.

Statoil chief Arve Johnsen said at the oil exposition here that this decline is due primarily to the decline in crude oil prices and the labor conflict and production halt in the North Sea this spring.

Operating receipts for the first half of the year amounted to 23.9 billion kroner, an increase of around 20 percent compared to the first half of last year.

Operating receipts were up especially as a result of Statoil's purchase of gas stations and other activities abroad.

"We estimate that profits for the year as a whole will be a good deal lower than they were in 1985, which was a great year," said administrative director Arve Johnsen.

Even so he thought profits would be "good, taking everything into consideration." He pointed out that receipts and profits will depend on price developments for crude oil as well as on production levels and the exchange rate of the dollar.

The concern's investments in the first half year totaled 2.8 billion kroner, mainly in connection with the Gullfaks and Oseberg field development projects and the expansion of the Mongstad refinery.

In this half-year period the concern took out long-term loans totaling around 950 million kroner.

Statoil had access to 10.1 million cubic meters of crude oil in the first half of the year. Of this amount Statoil refined 2.1 million cubic meters while the rest was sold to customers in West Europe and the United States.

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ENERGY

NORWAY

# STATOIL TO BEGIN PRODUCTION IN GULLFAKS FIELD

Oslo AFTENPOSTEN in Norwegian 27 Aug 86 p 33

[Article by Morten Woldsdal: "Statoil Passes Test With Flying Colors"]

[Text] Gullfaks Platform A--When the first barrels of oil are produced at the Gullfaks field in the North Sea a few months from now, the state-owned Statoil company will have passed its big test as an oil company. Gullfaks is the first Norwegian oil and gas field developed by a Norwegian company. And well into the next century the field, which takes its name from a fairy tale, will form one of the basic pillars of what we hope will continue to be the Norwegian oil fairy tale.

It takes about an hour to fly by helicopter from Flesland, outside Bergen, to Gullfaks Platform A--the first of the three Gullfaks installations, which is now in place out at the field. The enormous white and red platform stands out in the middle of the ocean, the most Norwegian of all the oil platforms on the Norwegian continental shelf.

When the weather is good one can see the three platforms at the Statfjord field, some 10 kilometers to the west. When the Gullfaks field is completed in 1990 it too will consist of three big platforms that will pump up a total of close to 500,000 barrels of oil every single day. For purposes of comparison, the Statfjord installations currently produce a total of around 600,000 barrels a day.

## Operated From Bergen

The Gullfaks field--or Gullblokken, as the field was called at first--lies 140 kilometers northwest of Bergen. The field will be operated from Statoil's new office center at Sansli, outside the west coast city. Sotra and Floro were selected to provide base services.

Statoil will be the first Norwegian oil company to begin producing oil and gas from its own platform on the Norwegian shelf. Gullfaks is also solely owned by Norwegian interests. Norsk Hydro and Saga Petroleum are the other partners in addition to Statoil.

No one in the Norwegian or international oil community has any doubt about it: Statoil has passed a major test with flying colors. With good help from Norwegian industry and Norwegian research institutions the company can be proud of a technological project that has not been equalled anywhere else in the world. Only the Statfjord project can match it in size. But that was carried out by the multinational Mobil concern.

When the last platform--Gullfaks C--is in place at the field in the summer of 1989 the world's largest production platform will have seen the light of day. The great ocean depth means that this will be the big brother of the Gullfaks field. The concrete base alone will be 262 meters high and weigh 1.5 million tons. This building contract, the biggest single contract ever awarded in Norway, has gone to Norwegian Contractors. The base will cost 2.5 billion kroner.

#### Total Cost of 60 Billion Kroner

But for the time being only Gullfaks A is in place out there in the ocean. Platform B will be added next summer before Gullfaks C completes the construction project. The total bill will come up to around 60 billion kroner.

Some 800 men and women are now working feverishly on Gullfaks A to make the platform ready to go into production. As many as 23 million work hours--the equivalent of 3,000 people working for 5 years--will have gone into the platform by the time it is finished. This installation alone will have cost 15 billion kroner.

Statoil expects to start producing oil late this year from three underwater installations located on the ocean floor around Platform A. Another two will be put into operation later on. The three underwater wells will start production considerably earlier than the company originally anticipated. And the roughly 30,000 barrels of oil a day these wells will pump up in the beginning can create further problems for Norway's relations with the Organization of Petroleum-Exporting Countries, OPEC. Production for Gullfaks Platform A itself is scheduled to start on 1 July 1987.

#### Norwegian the Official Language

They speak Norwegian on Platform A. The official language on the job is Norwegian--not English, as it is on the other North Sea installations. All the signs are written in Norwegian. Even the text on visual display units purchased abroad is in Norwegian.

The work to complete the platform continues day and night. Light and electricity is produced by the platform's own power plant, which can provide enough electricity to meet the needs of a Norwegian town with 70,000 inhabitants. To provide room for all the people working to complete the project, the residential platform "Polycastle" is moored alongside Gullfaks A.

And several hundred meters away, the drilling rig "Deepsea Bergen" is hard at work drilling production wells.

When the newcomer in the Norwegian oil family goes into operation the oil will be collected by big tankers and taken to customers around the world. The gas will go through Statoil's other prestige project, the Statpipe pipeline, which is the new main route for transporting Norwegian gas to the rest of Europe.

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ENERGY

NORWAY

#### GAS EXPORTS FOR SWEDISH POWER INDUSTRY SEEN FEASIBLE

Oslo AFTENPOSTEN in Norwegian 1 Sep 86 p 33

[Article by Flemming Dahl]

[Text] Stavanger, 31 Aug--The big gas deposits off the coast of North Norway can be profitably turned into electricity for the Swedish market, according to Tor Wergeland, instructor at the Norwegian College of Business Administration and Economics in Bergen.

Wergeland said that this type of gas-based electricity could prove to be a good alternative for the Swedes if they go ahead with their plan to phase out nuclear power production. The Soviet Chernobyl accident has strengthened their intention to do this.

Wergeland's calculations, which were presented at the international oil exposition in Stavanger, showed that around 90 percent of Sweden's nuclear-based energy can be replaced by gas-based electricity from North Norway.

He estimated that the gas extraction facility at Tromsøflaket would require an investment of approximately 35 billion kroner, while a gigantic gas power plant on the North Norwegian mainland would cost over 60 billion kroner and a network 1200 kilometers long to carry the electricity to the Stockholm area would cost around 10 billion kroner.

The known gas deposits on the North Norway shelf are estimated to contain 250 billion cubic meters of gas. Wergeland envisioned extracting 10 billion cubic meters a year for 25 years, an amount he said could provide 45-50 terawatt hours of electricity a year.

Wergeland believes that gas-based electricity from North Norway could be a more reasonable alternative for the Swedes than electricity produced from coal or oil.

"In my opinion several thousand people will be needed in the construction phase and several hundred in the operational phase," Wergeland told AFTENPOSTEN.

Wergeland's calculations were intended to shake up many people who think it might take several decades before it will be profitable to invest in gas extraction on the continental shelf off the coast of North Norway.

He does not ignore the fact that it might be even more profitable for the Swedes to invest in electricity from the gas deposits at Haltenbanken off the coast of central Norway. But for the time being the Tromso site should be included in the debate on how Norwegian gas can help meet Sweden's energy needs, he said.

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